PROJECT DOCUMENTATION

PROJECT INITIATION DOCUMENT

CONFORMANCE STRAND 3
BUSINESS CASE

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Business Service Management Transition Programme

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1. Conformance Vs Automation

The Horizon system is the first customer facing automation to be implemented within Post Office Counters Ltd. As the current network does not have a conforming culture or structure that allows for central and prescriptive control, Horizon will be seen as the main driver towards achieving conformance. However, automated systems such as Horizon require a conforming culture to be in existence to enable effective business service management to be implemented without significant difficulty, and to allow the full benefits of automation to be realised.

To ensure that POCL can both cope with the introduction of automation, as well as reap the maximum benefits, a change in the working approach of the branch offices and sub post offices, and their supporting processes, will need to be developed and implemented to deliver conformance. With low levels of conformance and widespread lack of understanding of why it is needed, the following problems are likely to occur when the Horizon national roll out commences :

- system processing errors will occur and the user will need to back track
- system will not allow the user to go any further, user can not proceed with the transaction - call to the Business Support Centre may be initiated
- system may fail due to user errors
- system may be unable to deliver a successful result for the customer
- user errors may result in corrupt or incorrect data being input to the system
- increased transaction time per customer and extended customer waiting times
- upstream data leading to client settlement being unreliable
- additional staff costs being incurred to correct errors

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2. POCL Conformance History : Learning Points

The following projects all contained a conformance aspect related to implementation and operational activities and have lessons that can be learned that can benefit the Horizon national roll out.

2.1 Right First time

The purpose of this project is to assist the Transaction Processing Business Unit (TP) to save £1.5M on their annual costs of correcting error. It has been quickly determined that without working with the Regions on introducing conformance across the network, the £1.5M will not be achieved. TP have gained support for this project from the Regional General Managers Forum. A cross Functional Project team has been established.

This project has been divided into eight strands of work which are :

1. Human error study commissioned - two reports created by external consultants that can be used to underpin a national approach for conformance across the network
2. Error Management - on-going refining of TP methodology related to effort assigned to long running errors, ie assessing cost effectiveness of resolving small or old errors
3. Root cause analysis - holding of workshops for products, currently looking at Lottery, Bill Payment and Personal Banking. The Root Cause tool id being used to identify areas for resolution. Awareness for the need to conform has ensure that this tool is also adopted by the Regions and BSM
4. KPI Matrix - identifying area that can be used as KPIs that will show benefits across POCL
5. Segmentation of data - categorising errors to a further level to increase understanding of where errors occur and assist with identifying target areas for research or improvements
6. Reporting of data - one data source, ie assigning of data owners
7. Losses - activity to better understand the losses currently posted, therefore enabling root causes to be identified and improvements implemented
8. Performance indicators - set agreed to targets and implement a process to monitor current error levels to be monitored against these targets.

The key activities that have been identified that require resource and implementation are :

- maintenance of data regarding on errors and provision of the ability to review / analyse the data
- assessment of 'common errors' to enable active management and resolution
- achieve a better understand of the TP processes in relation to other units, eg maintained & error management, and losses
- implement a conforming working environment within the network
- maintenance of the additional error management data will enable the implementation of :
  - agreeing performance targets and monitoring progress against these
  - KPIs that are focused on conformance and getting it right first time

BSM has agreed to contribute to this project in relation to the implementation of a conforming environment within the network. BSM will need to implement a level of conformance during the Horizon roll out to enable the perceived benefits to be realised.

~~The Right First Time was a good initiative, however,~~ The Right First Time was a good initiative, however, the eight strands and key activities have not been progressed to full implementation due to lack of resources as this project is being undertaken as BAU. ~~Due to the lack of progress this project must be seen as a failure against the original objectives~~ Due to the lack of progress this project must be seen as a failure against the original objectives. This project should be seen as a key tool for improving conformance across POCL.

For real benefits to be realised this project should be removed from BAU and moved to an individual project status. The outputs from this project would be beneficial to the Horizon national roll out as processes are required to be in place to ensure trends are monitored and actions are taken to resolve 'common errors' or failures in POCL processes.

Costs related to errors identified in this study are shown below, it is anticipated that Horizon will add to these figures :

Business Unit	Costs per annum
Transaction Processing	£4.6M
Regional	£10m
Business Centres	£0.26M
Logistics	£0.78M
Losses	£15M
Minimum total for costs per annum due to errors	£30.64M

2.2 ALPS

2.3 ECCO

The initial project was set up as a cost reduction initiative. The scope of this project was changed to enable the ECCO software and hardware systems to have the ability to accept future upgrades to include counter automation initiatives. This extended project was know as ECCO+.

The ECCO system that is currently out in the network handles all the cash transactions and is comparable to a sophisticated cash register. The system can produce summary and balance reports. The roll out commenced on the 6th February 1992, this was behind schedule due to lack of a concise functional specification and extended testing.

The key points highlights of the project are below :
- Management of project
    - informal processes was in place related to the functional specification which allowed decisions and changes to be made without formal recording
    - lack of management and documentation during the functional specification phase
    - business involvement was encouraged
- Design
    - system performance was an issue as roll out was commenced, the performance of the summary and balance reports were not acceptable. A new version was released to existing and new sites half way through the roll out
- Implementation
    - smooth due to district based implementation and training staff to manage the introduction (in stead of the normal task force approach)
    - assess impact of introducing new technology related to customer service / transaction times, eg flexibility to meet customer demands at peak times
- Business
    - training courses were satisfactory which assisted with the acceptance of the system within the offices
    - familiarisation period with the system varies between offices, not a major issues
    - staff changes were proactively managed, new duty patterns, agreed prior to implementation with the District managers
    - SLA has been defined between the business and IT to provide support and maintenance of the software system

The lessons that have been learned from this project are :
- user / functional specification should be under formal control and all discussions and decisions that resulting in the specification altering should have been filed

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- there is merit for the functional requirements being specified by the business
- to ensure issues are tackled, the Project Manager requires the authority to make project decisions, as well as a direct link into the Project Controller to enable issues across business units
- the project plan needs to be achievable and all parties, eg business, contractors, suppliers, signed in to deliver against it
- common project planning / tracking tools to enable close monitoring across all parties.

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2.4 Lottery

Authority to proceed was granted for this project in June 1994. The strategic objectives were related to POCL commercial strategy and included maximising an extension of powers as a Lottery retailer, to act as a catalyst for change towards the POCL vision and deliver a new piece of volume to offset long term decline in the core business.

On the day of the Lottery launch 1,207 post offices were operational, with the remaining on-line terminals installed ahead of the original schedule to meet the 4000 total. As well as the 4000 Lottery terminals, 6000 post offices were installed to provide the Instants game only.

This was a major implementation into the network and some important lessons were learned :

- Lottery was 'force fitted' into the cash accounting system with a lack of consideration for :
  - existing cash account processes
  - training to a defined competency for outlets and Transaction Processing
- supplier delivery of the LOTTO system was unstable and caused problems at Chesterfield regarding remuneration to the agents
- Lottery was a post office product on the retail side and needed to be given full considerations to then operational discrepancies, financial control an processing costs
- negative reactions from the POCL multiples and franchise partners due to the introduction of a product into their retail side
- problems occurred where a POCL product was installed into the retail side where this part of the business was not owned / operated by the subpostmaster.

The impact of this implementation on the operational areas was an increase of approximately 50 people in Transaction Processing to handle cash account error for Lottery, as well as error resolution and support. The support team within Transaction Processing developed helpsheets as common errors / problems were identified. These helpsheets supplied a tool to improve knowledge of the Lottery system and hardware across the relevant outlets.

2.4 SAP ADS

The SAPADS business case was approved on the basis that the feasibility study had shown that SAP would be able to replicate the future processes of Logistics. On this supposition was founded the plan that all that would then be required would be to pilot the system in one area prior to a rapid roll-out.

Project delays were experienced in the following areas which resulted in the product that was implemented into pilot being significantly different to the planned product :

- change of hardware (away from Group standard)
- delays in Horizon resulted in planned electronic interfaces not being progressed
- scope of project now included the maintenance of existing interfaces with legacy systems.

The Logistics business unit implemented the new SAP ADS system into their pilot site, Hastings, in March 1998 on schedule. However, in order to deliver the project on time, a conscious decision was made to 'go-live' without completing the training of all of the staff. This decision was based on the Hastings cash centre being small and manageable and that any risk could be contained. It was also seen as a benefit to 'go live' to derive feedback from live working.

The lessons learned from this initial pilot were vital and include :

- ensuring unit receiving new system is fully staffed prior to go live
- utilising managers as a vital link / resource to delivering success
- holding overview training / workshops to put the changes into context
- assessing impact of the implementation ie SAPADS was wide as this is a catalyst for major change
- highlighting non-added value processes e.g. for SAPADS, returned stock; vouchers etc.; cash account
- enhancing management control.

At the time of going live at Hastings, it was clearly not possible to roll SAPADS into Dartford in the same way and the decision was taken to postpone the start date. A rapid internal project review showed the extent of the problems and the following major activities were scoped :

- providing sufficient training - comprehensive training programme and delivered to all staff
- provide a support structure - Hastings was supported by the development team.

The temptation was to do a quick-fix and to get Dartford live as quickly as possible. However, a re-planning activity occurred around the relevant activities, such as training and providing the implementation and operational support to derive an achievable schedule. The lead time for reviewing, developing and delivering the training, whether computer-based (CBT) or classroom, was assessed to be a number of months. Due to this delay the project team reviewed other improvements they could delivered in parallel to these activities. This comprehensive plan was approved by the Project Board, with a delivery date for Dartford of 15 October 1998.

The main elements delivered prior to the implementation of SAPADS into Dartford were :

- Create a comprehensive training programme and documentation :
  - CBT and system documentation developed to reflect system including new improvements
  - full review and development of manager and finance training
- Provide implementation and operational support teams :
  - recruitment and training of Implementation Support manager and team of 10
  - recruitment and training of additional 4 Operational Support staff
- System performance improvements :
  - improvements to a number of transaction speeds
  - improvements in the speed of a number of download programmes.

The Dartford implementation was achieved on time. However, more importantly, the implementation has been smooth and manageable. The additional improvements to SAPADS have been a great success, which have raised the very real possibilities of efficiency benefits never before expected. The staff response to the system has been very positive and the management control possibilities are now starting to be realised.

2.5 *Summary of lesson learned related to Conformance*

3. Potential effects of non-conformance on Horizon

3.1 Current Conformance Statistics for Horizon

There have been a number of initiatives to review the current transaction times of outlets using Horizon. There is one transaction that is 'live' within the network, this transaction is the DSS Group 5 Encashment. Data has been used from the two measurement projects performed during May and June 1998, and September 1998, to take a view of the current level of conformance and the impact of the new Horizon transaction times.

A number of key Factors that have been observed from the above data :

- horizon transaction time is slightly higher than the manual process
- benchmark timing is achievable
- contract timing allows for limited error / customer handling
- majority of sub post offices observed did not meet the contract timings
- approximately 50% of the sub post offices observed did not follow the standard methodology.

The data from the measurement projects has been entered into graphs form to show the variances across the small sub set of sub post offices and counter positions.

Some examples of non conformance are:

(see Dave McL)

A definition of the different types of transaction time measurement and benchmarking are detailed below :
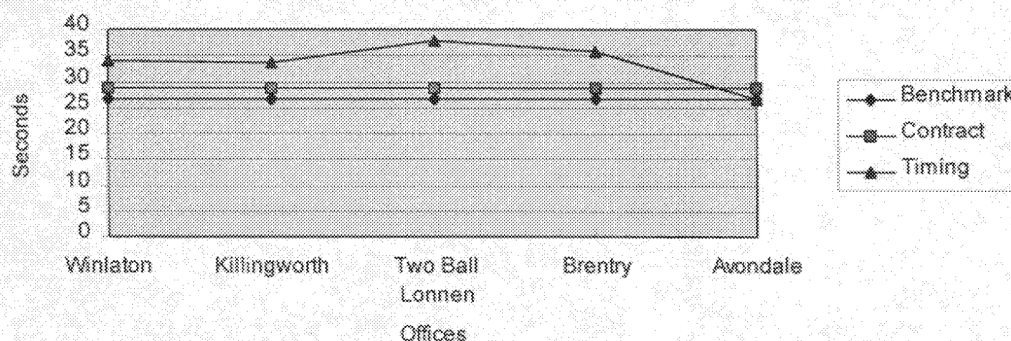
(see Dave McL)

3.1.1 Transaction Timings
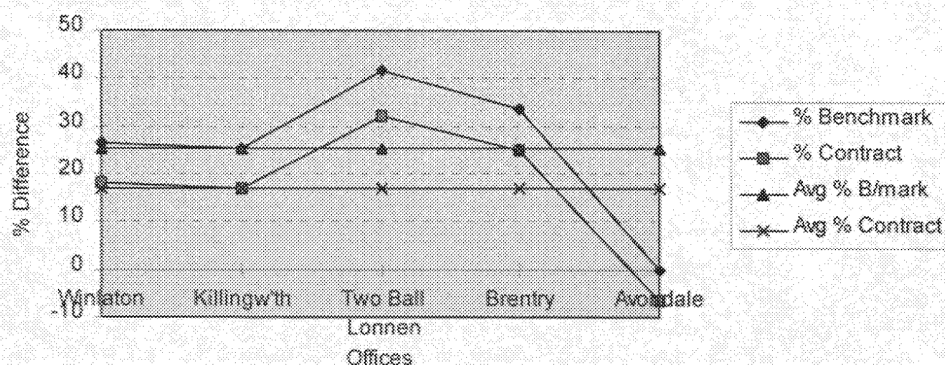
3.1.1.1 Conforming Office Timings

Five sub post offices had counter positions where the standard methodology, ie following a process flow that maximises efficiency by running some steps in parallel. Two of these sub post offices also have counter positions that are not following the standard methodology.

Where the sub post office did not meet the target times, the additional time was a result of performing additional filing processes and using a non conforming equipment layout.

A comparison between the measured transaction times at the sub post offices and the Horizon benchmark and contract timings has been performed. The additional, or reduction, in transaction times have been calculated as a percentage of the benchmark and contract times, these percentages are shown below :

3.1.1.2 Non Conforming Office Timings

Six sub post offices had counter positions where the standard methodology was not being used, eg waiting for customer's actions or system responses, and not running actions in parallel. Two of these sub post offices also have counter positions that are following the standard methodology.

Where the sub post office did not meet the target times, the additional time was a result of performing additional filing processes and using a non conforming equipment layout.
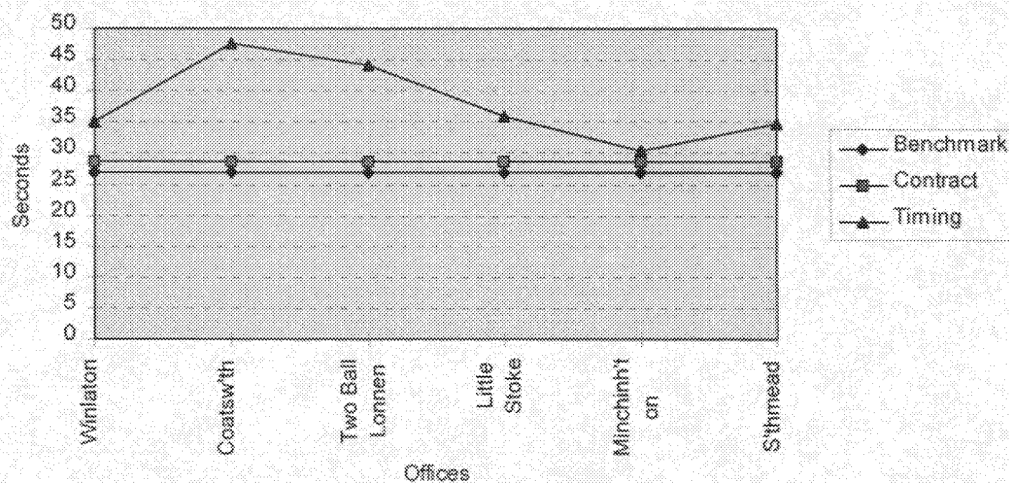
A comparison between the measured transaction times at the sub post offices and the Horizon benchmark and contract timings has been performed. The additional transaction times have been calculated as a percentage of the benchmark and contract times, these percentages are shown below :

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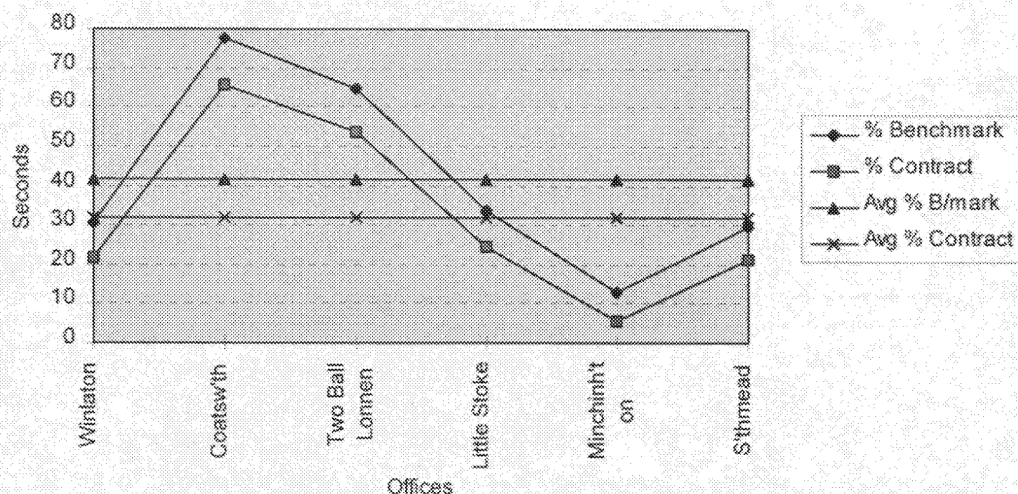Business Case Conformance Strand 3

3.1.1.3 Conclusions

The data analysed from the pilot phase have indicated the lack of adherence to the standard methodology including non standard equipment layout and adding additional steps to the process will dramatically affect the national roll out of the Horizon system.

The lack of adherence can be categorised into a number of key areas which are shown below :
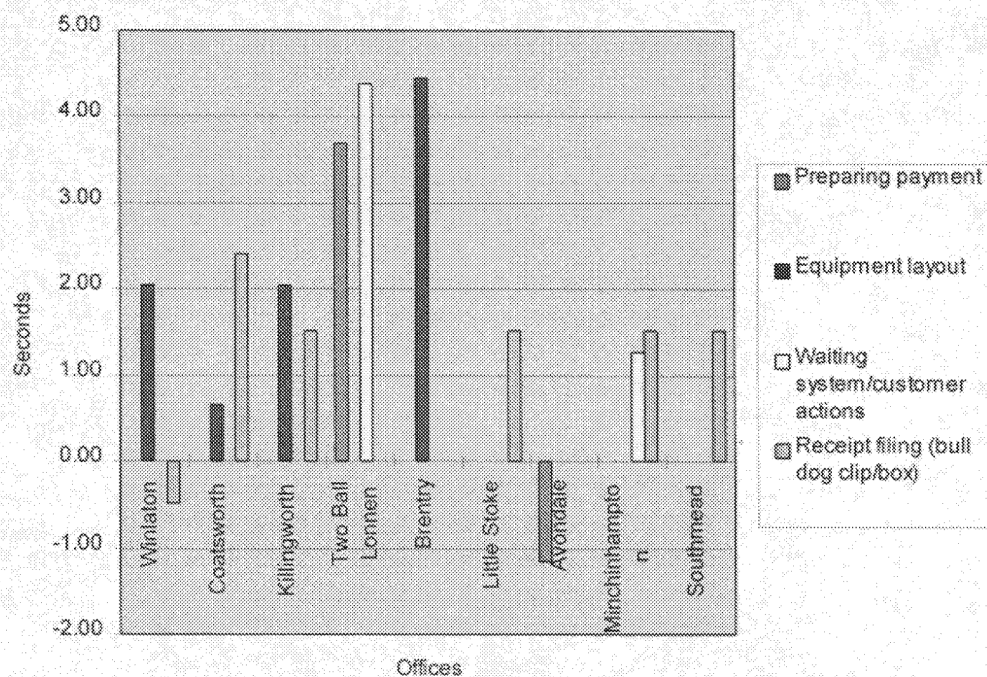
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The effects of non-conformance on the individual sub post office weekly transaction handling timings will impact customer waiting times, office costs and quality of service. The weekly increase / decrease of transaction times are shown below :

The direct costs to the business related to the above information for the 204 pilot outlets has been calculated to be in the region of £385,000 per annum, using the unit cost of 0.7p per second of additional transaction time per outlet.

3.1.2 Incidents raised by Non Conformance

The chart below represents total non-conformance incidents for OBCS and BES in the 204 outlets currently performing these services. These outlets have a total of 334 counter positions. The incidents have been grouped into the two pilot regions, ie North East (NE) and South Wales & South West.

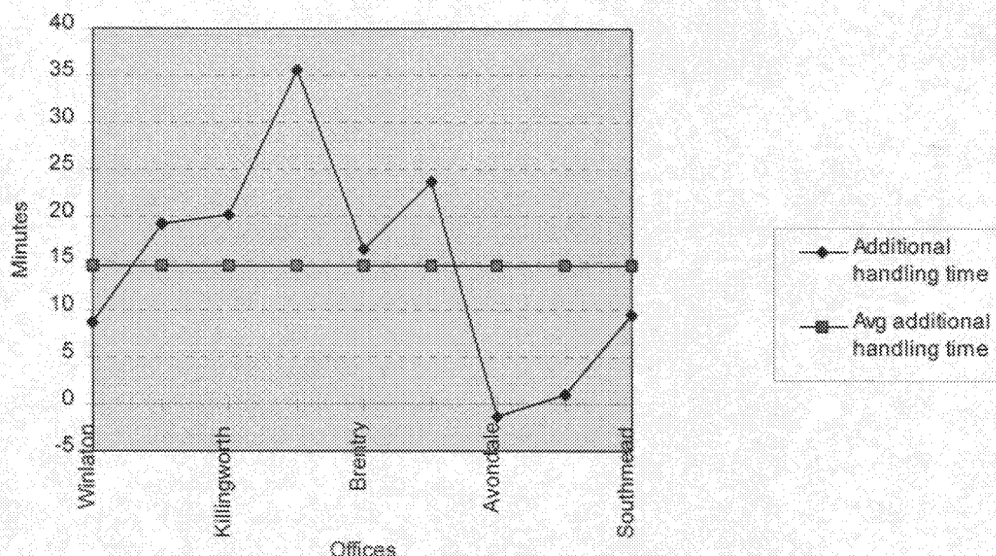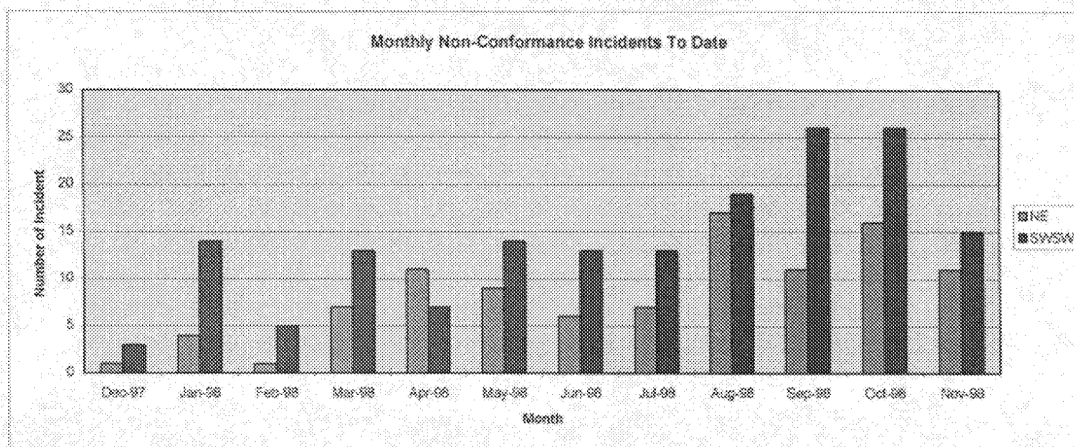Nearly two-thirds of all non-conformance incidents to date are attributable to two types of incidents :

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- **45% of the incidents are forcibly committed transactions**, ie a counter clerk performs a BES transaction, the clerk does not complete the transaction and the system automatically commits the transaction after a defined period
- **16% of incidents are missed and duplicated scans on OBCS**, i.e. order books not being scanned or being scanned twice providing incorrect information to the client.

For incidents where the system automatically completes the transaction, the scenarios that could occur are :

- if a payment was encashed and the transaction was not committed by the counter clerk, the customer could present the payment card at another outlet before the system completes the transaction, **ie a fraudulent transaction**
- if the customer was check payment availability but not collect them, the system on automatic completion will assume the payments has been made. **This will result in the customer being unable to collect their benefits at a later date**

The affect on the missed and duplicate scans are the long term possibility of errors being issued by the client to the business and thus could represent a cost to the business. In the case of duplicated scans there could be a further cost to the business in that ICL Pathway's charges will be based on the number of transactions carried out.

From the above graph it appears the number of non conformance incidents has increased since December 1997, which leads to the assumption that more outlets are becoming more aware of how to work around the system.

3.1.3 Pathway Helpdesk Statistics

Pathway have been supporting the system queries related to Horizon for the 204 pilot sites. The graph below shows the number of calls taken related to operational queries, advice and guidance logged by the Helpdesk from January 1998 to October 1998.
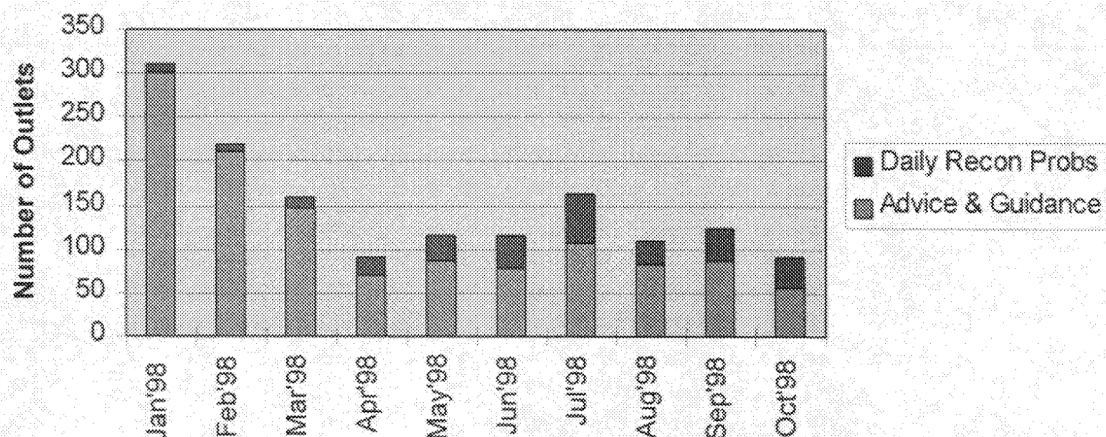
Daily Reconciliation

The numbers in this category have increased as the year has progressed. This increase could be due to : (See Dave McL)

- increased awareness of errors due to feedback from Chesterfield
- temporary staffing over the holiday period.

Advice and Guidance

The above trend indicates that the pilot outlets required a reasonable amount of advice and guidance on the system 2 months after the roll out of the DSS Group 5 Encashment transaction in November 1997. The continual use of the system and assistance from the helpdesk has reduced the volume of calls to an acceptable amount. **This leads to an assumption that the training approach, ie subpostmasters received a day's training and then trained their counter clerks, was inappropriate.**

3.1.4 Impact of non conformance of suppliers

The pilot has experienced a number of non conformance issues with their key suppliers, such as BA and Pathway, the most recent being the unreadable bar codes on new benefit books. These errors caused each outlet to contact the helpdesks to seek assistance when the error occurred. **The communication of common outlet problems and corrective actions are communicated individually to each outlet on contacting the Helpdesk, which has an immediate affect on the volumes of calls.**

Include Business Centre instruction to outlets (See Dave McL)

3.2 *Potential Impact of Non Conformance During National Roll Out*

In the event that Horizon is implemented without the key conformance aspects being addressed, the areas that have a potential for being impacted by non conformance during the Horizon national roll out are discussed below.

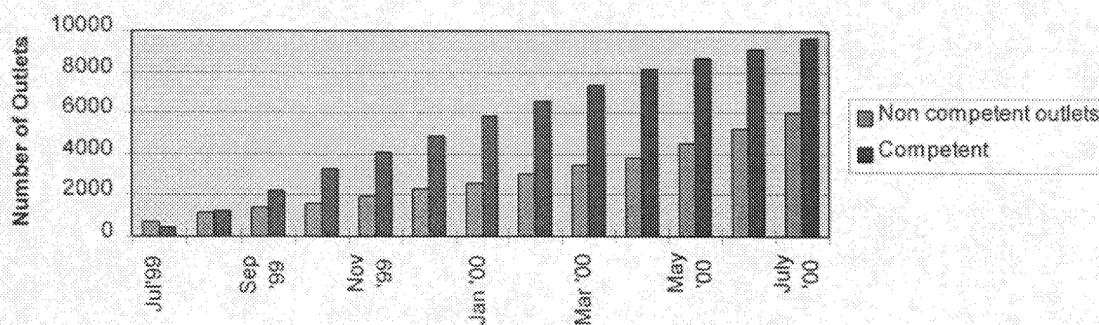### 3.2.1 Supporting non competent outlets

The current training programme focuses on the Horizon operational aspects, without ensuring that the POCL processes and best practises are included. Also, there is an assumption that all personnel have similar base skills of working with the technology. This approach to training will have a more dramatic affect with the new release of Horizon as this version of the software includes the reconciliation processes. These processes require the POCL perspective to ensure that the daily and weekly reconciliation are correct.

It is the intention to test the competency of personnel after the Horizon training programme, as well as assess the outlet's competency after the on-site support period at the outlet. If the Horizon training programme has not been structured to cope with the varying skill levels within POCL outlets, as well as deal with building in understanding and conformance during the training programme, there will be delays in outlets meeting the training and implementation competency criteria. Therefore there is a potential that additional resource will be required to give remedial support to these non competent outlets. This remedial support will include :

- performing supplementary training to outlets, part or all outlet personnel
- assisting outlets / personnel meet the defined competency criteria.

This activity does not currently have an obvious owner, ie implementation or operational.

On the assumption that a trend transpires where 60% of offices are not fully competent as they transfer into 'live' operation, with 40% of non competent outlets becoming proficient each month, as well taking into account a potential for a gradually decline in the number of outlets becoming competent due to the speed of the roll out and strain on support resources, the impact on the number of outlets requiring remedial support will increase as shown below :

By **November 1999** the number of non competent outlets will have exceeded 1200 that require additional support above and beyond the operational support provided by the Business Support Centre. **At this point in the roll out programme the support services will be at breaking point due to the speed of the roll out, ie**

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a further 1200 outlets per month. At this point the number of outlets becoming competent will increase with the result that the need for additional support will spiral upwards.

3.2.1.1 Scheduled training time Vs actual training time

During the Horizon pilot implementation of the DSS Group 5 Encashment transaction, the scheduled training was 1 day for the sub post masters, with the view the sub post masters would train their own assistants. All the pilot outlets were familiar with the Horizon equipment as they were using the bar code scanning equipment for logging and checking BA books. The pilot outlets received a maximum of a day on-site support on migrating to the new system.

The view of the North East region Horizon regional liaison team was the actual training provided for the DSS Group 5 Encashment transaction release was an average of 5 days per outlet, the additional training being handled via ad-hoc visits. The Horizon version that will be rolled out during the national roll out will contain the following in addition to the current transaction and bar code scanning facility :

- total cash handling, processing and accounting for the outlet
- automated payments hardware within the new equipment.

The current implementation plan allows for training of one and a half days for sub post masters and assistants and one day for branch office staff , with implementation support of two days per outlet. This training plan does not include the course attendees to produce a cash account individually, the tutor demonstrates this process.

With reference to our current experience with the pilot implementation, as well as the lack of individual training related to the completion of the cash account, the indications are that the level of training and support will not be sufficient. If training is supplied on an ad-hoc basis in the same way as for the current pilot, the regional staff would be unable to cope with the demand. This would result in increased volumes of calls to the Business Support Centre and cash account errors for the Transaction Processing department, as well as the potential for loss of business and a reduced quality of customer service.

3.2.2 Outlets with non standard hardware layouts

The measurement studies performed by O&M at a number of the pilot outlets indicates that non standard equipment layout, such as keyboards being stored under the counter and in appropriate location of printers, are causing noticeable increases in transaction times. There are xx out of the 204 pilot outlets that have non conforming hardware layouts. Since the implementation of the system, there have been no further checks of the outlets to determine if the conforming outlets have changed their hardware layout.

A number of other observations have been made relating to non standard hardware layouts :

- overheating of equipment due to a siting that does not provide the correct ventilation
- printing errors due to incorrect printer location.

It has also been observed, that not all outlets have a telephone located close to the counter areas to allow assistance via the phone for system incidents.

If the hardware layouts at the outlets are not standardised, there will be two key areas of impact which are :

- an increase in transaction times which has a **potential cost of £1,890 per outlet per month**
- extended assistance calls to the Business Centre from outlets with telephones located away from the counter areas. The additional call time will be as a result of relaying corrective actions via a third party or waiting time as the caller has to go away from the phone to try out an instruction. **Using the assumption that 30% of the outlets fall into this category, the call charges will increase by £9,000 per week, estimated an calls taking twice as long, with unit per minute for a call being 6p**
- effect on queue time and customer satisfaction (Glendyr may have something on this).

3.2.3 Involvement of Regional Network Managers (RNMs)

In the event that a proportion of the outlets have problems providing a required level of service to their customers, there is a likelihood that the RNMs will be required to provide a closer support of their outlets. The customer service levels could be affected by Horizon system related problems or business transaction issues

related to non conformance. Additional support would result where the general customer service issues would need to be addressed, as well the potential for staff or agent issues relating to the use of the Horizon system.

The trouble shooting by RNMs may add further non conformance into the network as they firefight issues across outlets and advise on solutions.

*** Data to be provided by Sue Huggins - she has some market research figures we should be able to use (may have to use caveats as these may not have been fully validated by the time the business case is issued) ***

*** Bruce may know, but Dave McL's view is the perception is about 20% and this is purely facilitating the process ***

3.2.4 Call handling by the new Business Support Centre

The new Business Support Centre is being staffed to support outlets in the 'live' operational environment. If the outlets are not thoroughly trained, do not have back up manuals to resolve queries easily, as well as the outlets are not confident using the Horizon system, the number of calls made to the Business Support Centre will be greater than currently planned.

The 1998 Pathway helpdesk call trends have been used in conjunction with the projected number of competent and non competent outlets during the initial 12 month period of the Horizon national roll out. The potential calls using this information is shown below :
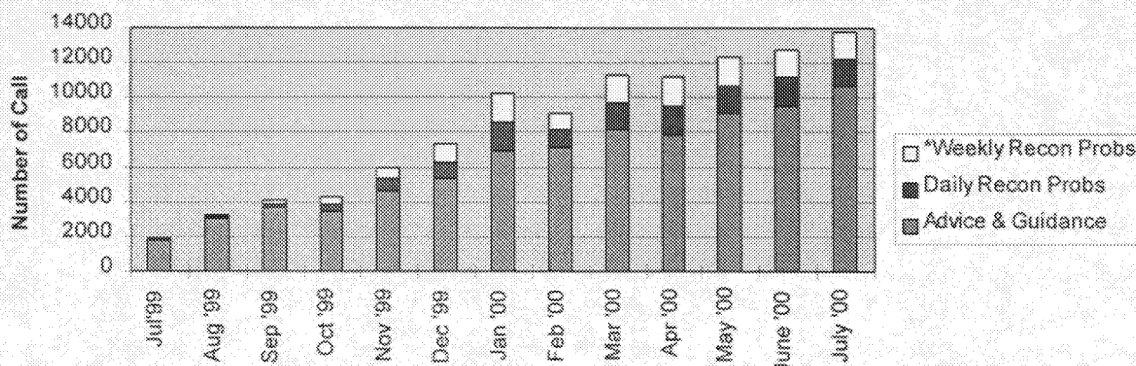
The increases in the number of calls to the Helpdesk show the increase related to the number of branches that have been automated each month. For the Horizon national roll out these calls will be handled by the Business Support Centre. **If the Business Support Centre is required to assist and guide outlets who are not competent, these calls will last longer than the standard 10mins being used to staff the Business Support Centre. The impact will be that the centre being unable to support the automated outlets, and additional resources will be required, refer to section 3.2.1.**

The 1998 monthly trend of logged non conformance incidents has been used to generate a picture of the potential number of incidents that may require handling during the Horizon National Roll Out. A graphical representation is shown below :

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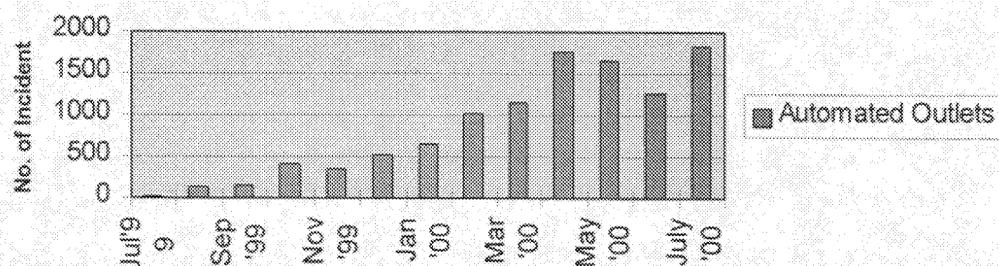
Due to the speed of the Horizon roll out, as well as the number of incidents increasing as outlets become more familiar, the number of incidents that will need to be investigated will increase to a rate that will affect the support services.

3.2.5 Impact on Transaction Processing Business Unit

Once the cash account has become automated, the potential for problems will expand exponentially as 300 new offices are automated weekly. In brief, there is a possibility of many mistakes in each cash account, which will result in:

- error rates increasing significantly, resulting in penalties from clients
- difficulty/impossibility of reconciling accounts, resulting in difficulty in settling with clients and potential impact on treasury
- unable to explain discrepancies, resulting in necessity of writing off significant amounts of money
- urgent requirement significantly to increase staff to handle errors and other impacts
- the real possibility of the centralised processing operation reaching a point of crisis as faulty cash account information continuously pours in weekly while errors from previous weeks remain to be resolved

If the approach for the Horizon National Roll Out does not incorporate conformance, and we use the Lottery implementation as an example, **we could expect a level of 60% of outlet's automated cash account reconciliation tto be incorrect** within the initial month after implementation. **An assumption has been made that 40% of this number become proficient the following month.** However, there is a potential that the number of outlets becoming proficient will decline due to the speed of the roll out and strain on support resources. The potential trend has been mapped for the initial year of the Horizon National Roll Out :
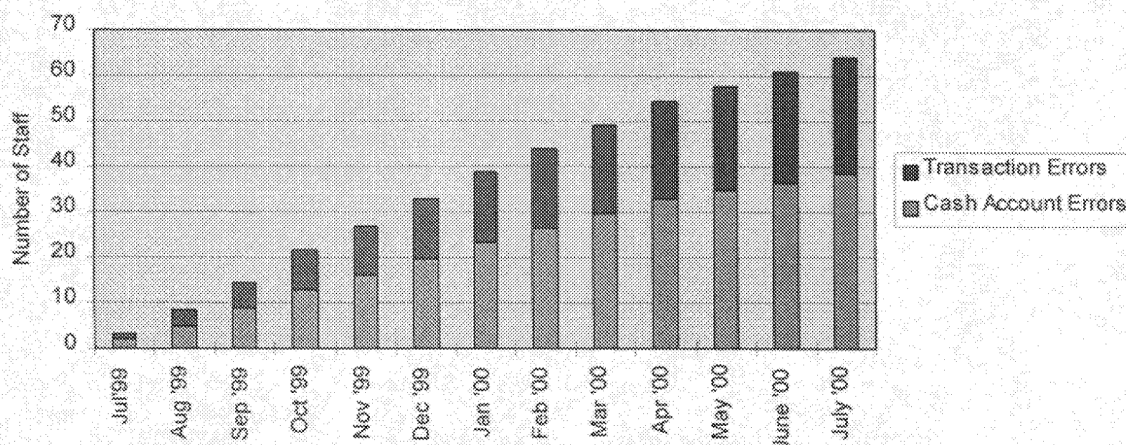
Using the above trend for additional staff required to support the Horizon National Roll Out, the potential staff costs incurred within Transactional Processing for the period above would be £xxxx, where xxx has been used as the average monthly cost per resource.

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The system cash account / reconciliation process should be assessed - contract allows 3% error but the size & type of the records in error is unknown.

3.2.6 Impact on Customer Service & Income

This area is still awaiting data from Ally Oakshot in Research Services (Dave McL)

3.3 Potential Impact on transaction times & costs

The measurement studies performed by O&M at a number of the pilot outlets indicates that non conformance is affecting the transaction times of the outlets. This non conformance can be seen in two key areas, lack of adherence to the standard methodology and hardware layout. If the assumption is made that at the time of the studies the pilot outlets were in a stable situation relating to their knowledge of the system, the graph in section 3.1.3 supports this, the costs that follow are likely to be a minimum figure.

The cost of the affect of additional transaction timings as Horizon rolls out into the network have been calculated on the average increase of timings from the measurement study, and uses the unit cost of 0.7p per second of additional transaction time per outlet.

Take into account and possibly add text and stats for the following :

- only one product
- bigger affect in crown offices due to no of people thru doors / just for crowns
- customer impact - queues, customer service
- subpostmaster impact

This cost has been calculated as an additional transaction handling cost of £265.5M for the period of the Horizon roll out, ie as the number of Horizon outlets increase. There will be an on-going cost per annum of £39.1M after all outlets have been automated.

4. Recommendation for managing conformance into the Horizon National Roll Out

The following chapter deals with recommendations for implementing conformance for the Horizon National Roll Out. The recommendations below must be seen as the 'must have' improvements to ensure that the impacts and costs to POCL are minimised, as well as the benefits from Horizon are realised.

4.1 Conformance principles

It is recommended that in order for Horizon to be implemented across the national POCL network, a conformance environment must be created and maintained to support on-going Business Service Management (BSM). The POCL network does not currently operate from a central and prescriptive direction, which results in non conformance across the company. ~~In order for Horizon to be implemented across the national POCL network, a conformance environment must be created and maintained to support on-going Business Service Management (BSM).~~

A framework to deliver BSM into a conforming environment is required to support any new automated system (eg Horizon). This will enable the new systems to be implemented into a compatible environment as well as mechanisms developed to monitor and improve both system and conformance aspects. This framework should cover all areas related to culture and mindset, communication and support of the business, use of tools (eg processes and guides) and the introduction of tools (ie development, piloting, implementation and monitoring mechanisms).

The basic principles that need to be in developed, implemented and maintained as part of the BSM project to provide a conforming environment are :

- an organisation that shows clear ownership and authority during the 'live trial' and national roll out of Horizon - this will include POCL IT and business staff
- definition of roles and responsibilities for :
  - BSM & Horizon staff
  - BSM project's input to existing boards
  - new monitoring BSM data forum(s).
- definition of BSM / Horizon communication strategy (eg for Horizon users, into the POCL vision)
- definition of frameworks for :
  - operational standards and procedures
  - aligning business standards and procedures
  - training of Horizon, ensuring all aspects of culture, personnel capabilities, business requirements and system needs are covered
  - user documentation to ensure it is easy to use and user friendly
  - control mechanisms
  - recognition and incentives.

The above activities will create a number of processes and standards that require piloting to ensure that meet their objectives. To ensure the piloting has the maximum affect, it is intended that other projects such as SAP ADS, SAP HR and Data Management, will assist with trials and feedback their experiences to evolve these processes further. The reception from these project to being involved with the piloting activity has been positive.

4.2 Horizon Conforming Environment

The BSM Conformance team have been liaising with other projects that have a conformance aspect to them, such as Data Management, SAP ADS and Process Management. Where conformance principles or frameworks are being developed or exist within other projects, the BSM conformance team will use and implement these. It is the intention that one set of principles will be used across all projects, ensuring a fit with BSM by other projects by using either BSM developed or adopted processes.

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However, to achieve conformance in preparation for the Horizon national roll out, the following key areas are not currently being progressed and will needed to addressed to ensure full understanding of the Horizon processes and support are in place, as well as feedback mechanisms to identify lessons to be learned.

The critical enablers for a conforming environment must include the following :

4.2.1 Further development of the Horizon training programme

The current training programme needs to be reviewed to ensure it allows the network to continue to deliver it's business to the current customer service levels. **The risk of not addressing this area is a significant 'building in' of non conformance to POCL's operation.**

A number of issues were noted during the scoping of the conformance strand which should be included during this development :

- appreciation for the varying levels of PC awareness within the network - training created to ensure levels of PC awareness are as required by Pathway
- review the content of the Pathway training sessions to ensure the system actions are shown in line with the POCL business transactions and accounting processes
- support at the outlet after the training to allow for familiarisation and confidence building
- refresher session as and when BA cards are delivered to an outlet.

Pathway and Peritas are contracted to supply the current training to the network as part of the PFI contract. However, the content, level and the practical hands on experience contained in this training is not sufficient to ensure the desired competency levels. It is therefore recommended that the training programme is developed with a 'holistic' approach, using the Peritas within a training programme, supplementing this will POCL specific training. This approach will ensure that a greatly enhanced training programme can be delivered for the commencement of the Horizon roll out.

The two areas of training that are essential to be developed are :

PC awareness training

Using the ECCO project as an indicator, 50% of the personnel being trained will require these skills. **The cost to provide a 1 day course on this topic would be £4M**

POCL processes, including cash accounting hands on training.

It is estimated by the POCL operational training unit that each person would require an additional day of training. **The cost to provide a 1 day course on this topic would be £8M.**

4.2.2 Implementing a conforming & ergonomic hardware layout

There are three POCL counter designs that are seen as being 'best practise'. At the time of outlet survey and implementation, these designs are followed as much as is feasible. There may be some valid reason for an outlet not being able to implement a 'best practise' design. In these circumstances, the O&M department and the Horizon implementation team should assist these outlets to create the best option for that outlet. This may require additional visits during or after implementation, but this will ensure that the impact on transaction timings will be minimised.

The telephone location is not a standard part of the outlet survey. However, if the outlet experiences a problem they may require to contact the Business Support Centre. For the Business support centre to provide the best support, the operator should be close to the Horizon work area and be able to attempt any instructions provided. Therefore it is recommended that as part of the outlet layout, the telephone location is considered. The cost to include the telephone within the survey for future surveys is negligible, however, for the current outlets that have already been surveyed and implementation started. **This cost should be estimated and included as an addition to the Horizon National Roll out budget.**

4.2.3 Creation of a Business Standards Framework

Processes must be documented to support the automated transactions and the operational environment. The Business Service Management Project are creating the processes for the 7 disciplines of Business Service Management, which as a major part of the control and management of the operational environment.

A framework is required to define the standards and procedures the business require to document in order to introduce understanding and conformance to meet their business requirements throughout the network. **This work is currently being undertaken within the current Process Management, Policies & Standards project**. The BSM development team are starting to liaise with this project team to ensure that the framework can be used to drive forward the BSM development.

The business standards should be developed by each business unit in line with this framework. **For the Horizon national roll out, it is assumed that the creation of these business standards in line with the defined framework, will be developed within BAU budgets.** However, to ensure that these standards are developed and implemented, it is recommended that separate projects are intiated.

4.2.4 Creating user friendly procedural guides & operational manuals

It is essential that the outlets are provided with a procedural guide and operational manual that meets their needs. A framework should be developed that enables POCL to provide such user friendly guide. Some of the areas that will need addressing are :

- quick reference for common problems and instructions for resolution
- easy to read normal transaction flow for a quick refresher
- easy to reference errors that occur at certain points in the normal transaction flow
- direct instructions on when to call the Business Support Centre
- facility to update as and when needed, with speed and flexibility.

The estimated cost for the creation of a framework for user friendly operational manuals is 200 man days @ £323 per day, resulting in an estimated total cost of £65,000. This cost does not include the writing of the production manuals, materials, production and their distribution to the network. This cost is assumed to reside within the relevant BAU budget..

## 4.2.5 Remedial Support for non competent outlets

If an assumption is made that the training programme has been developed and implemented to ensure a fully comprehensive approach and incorporated the aspects defined in point 4.2.1, BSM are assuming that that the non competent outlets (refer to section 3.2.1 of this document) will require on average an additional 1 days training / support time which is assumed will be either via the telephone or on-site training over a period of a month.

On the assumption that approximately **30% of outlets** will fall short of skills to be solely supported by the operational support areas. The following graph illustrates the level of non competent outlets associated with this assumption.
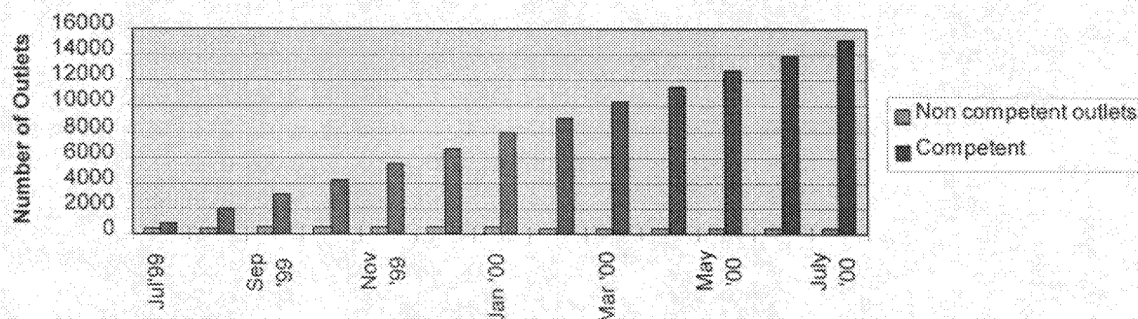
Using the assumption that each non competent outlet will require an additional 1 days training and support, the staff required to provide this support are shown below :
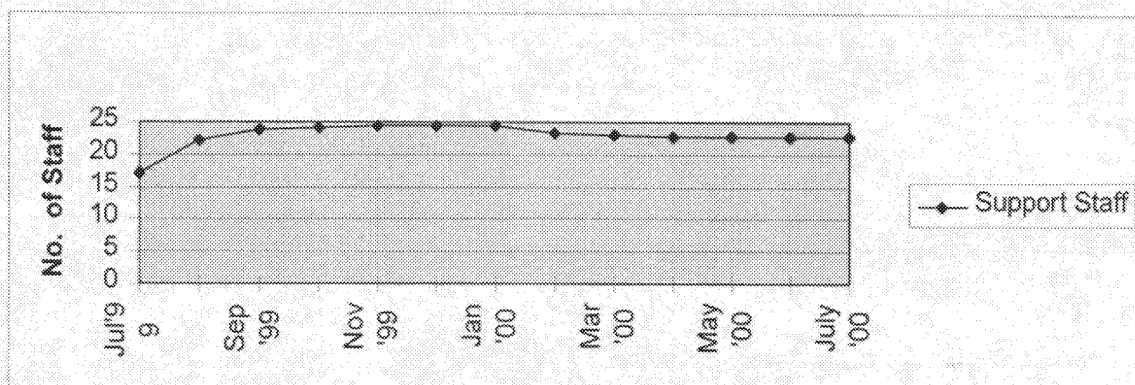
For the initial year of the Horizon roll out, the cost of the above support will be £xxx, where xxx has been used as the average monthly cost per resource.

It is **vital** that the ownership of this remedial support team is established early and how it fits into the currently defined implementation and operational areas. At present there is a level of confusion.

4.2.6 Staffing up for automated reconciliation errors

During the Horizon National Roll Out, Transaction Processing will be handling the existing manual cash account as well as the automated reconciliation. To enable Transactional Processing to continue to reconcile manual cash accounts as well as handle errors associated with the automated reconciliation, an increase in resource should be expected.

In order for the Transaction Processing unit to support the network through the transfer from manual to automated reconciliation, it is essential that this unit received Horizon training. The POCL training that will need to be created for the outlets related to the POCL processes and cask account could be adapted for Transaction processing.

If we use an expectation level of **30% of automated reconciliation to be incorrect each month** after the outlets initial implementation, **with 70% of these outlets becoming proficient during the following month**, this translates into the following trend. The trend has been mapped for the initial year from the beginning of the Horizon National Roll Out.
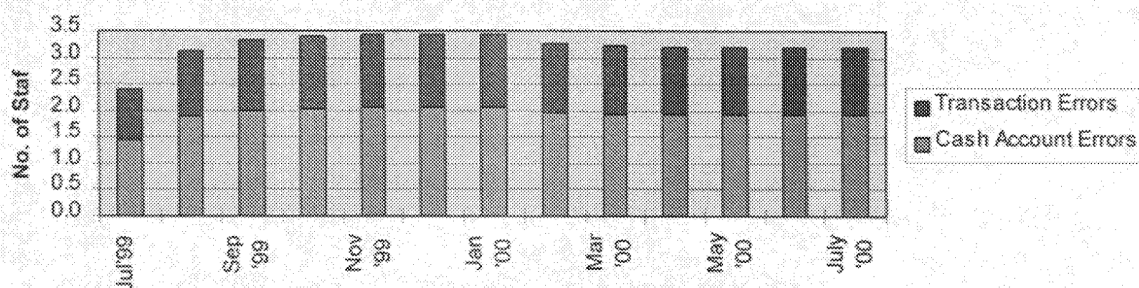
Error! Not a valid embedded object.

Using the above trend for additional staff required to support the Horizon National Roll Out, **the potential staff costs incurred within Transactional Processing for the period above would be £xxxx, where xxx has been used as the average monthly cost per resource.**

4.3 Evolving processes to improve performance

POCL needs to take the procedures from the higher performing offices and applying them consistently throughout the network. There are a number of examples for good and bad practise, with transaction times that have been recorded by the POCL Organisation and Methods department. The data shown in section 2

illustrates the varying performance variables within the current pilot population. This data should continue to be collected during the Horizon Live Trial and National Roll out in order to respond and improve all aspects of the implementation plan.

SAP ADS have a process in place to update their processes as a result of feedback from their cash centres, as well as changes to the business. This process will be reviewed by BSM will the intention for this process to be adopted by BSM.

4.4 Capturing data to monitor live trial and national roll out

The following data should be captured and monitored to ensure that all effects of the Horizon roll outs are managed and can be pro-actively managed :

- delays in outlets passing competency tests and associated reasons such as :
  - regional differences
  - trainers ability
  - support period after training
  - type of outlet, ie use of system
- total days training for groups of 'like' outlets
- errors or failures (each area below should have their own detailed monitoring system which we would select and summarise)
  - number of queries to Business Support Centre
  - Transaction Processing
- transaction trends after implementing Horizon, ie comparison of number of BA transactions handled
- customer service issues reported
- effects of Horizon on personnel by monitoring trends
  - staff and agent resignations
  - sickness
- impact of KPIs.

The above data should be able to be captured via existing data systems, such as Human Resources and Transaction Processing. The new business support centre will also be capturing data related to calls, incidents and problems which are key data inputs.

The data will be analysed by the BSM data analyst with the intention to identify any trends, positive or negative, as well as exceptions. These events will be investigated and managed by the BSM Conformance manager, liaising with the BSM, Horizon and business units to ensure corrective actions or improvements are implemented.

This data can be used to capture the current levels of conformance and track any improvements or drops, temporary or otherwise. This tracking of conformance data can be a mechanism for setting and monitoring conformance linked to KPIs.

4.5 Non Conformance by Suppliers

The current pilot has already shown that errors by POCL key suppliers, such as BA and Pathway, can impact the working of the network and the support services around the network, as well as customer and client satisfaction. Processes should be designed and put in place to devise an effective way of managing these problems when they occur. The Business Support Centre is likely to be the first point of reference from an outlet when supplier problems arise. Therefore, it is recommended that a process is available to inform of outlets of known problems at connection time with the Business Support Centre or proactively into the outlets. This cost has already been incorporated within the Business Support Centre business case for standard communications to outlets on connection with the Business Support Centre.

4.6 Benefits from implementing conformance

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The key areas that will assist with the implementing of conformance into the network as Horizon rolls out nationally are :

- a more comprehensive training programme
- a process to ensure hardware environments allow maximum efficiency when handling a transaction
- a remedial support unit is available
- a Business Support Centre is in place
- a user friendly guide is available.

If the above key areas can be developed and implemented prior to the Horizon roll out, the potential benefits to POCL for minimising the increase in transaction time could be as much as 70% of the predicted increase as stated in section 3.3 of this business case.

The costs have been calculated in relation to the implementation of the Horizon National Roll out into two types of environment :

Non Conforming - costs are focused on supporting the business in a reactive mode, with the emphasis being to resolve / support problems as they occur.

Conforming - costs are focused on training outlets to a higher level of competency and incurring less operation support costs.

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Environment	Horizon Roll Out					Post Roll Out
	Transaction Processing Resource costs	+	Support, incl training, guides costs	+	Incr. Transaction Time Cost, incl h/w ergonomics	Ongoing costs per annum
Non Conforming Enablers : Poor training Larger Support Centre Multiple, complex guides Larger TP support	T.B.C	+	T.B.C	+	£26.5M	£39.1M
Conforming Enablers : Better training Remedial Support Minimum BSC & TP User friendly guides	T.B.C	+	T.B.C	+	£8M	£11.7M

The table above indicates that the difference in total costs between the two types of environment during the Horizon roll out are negligible. However, the real benefit is the reduced on-going costs within a conforming environment of £17.4M per annum.

The above does not include the savings / prevention of negative impact :
- on additional error correction
- customer / client perceptions & loyalty
- other support services, eg RNMs, helpdesks.

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5. Recommendations for 'live trial'

To ensure the maximum benefits are realised from the roll out of conformance along side the Horizon system, there are a number of key activities that need to be in place :

- a comprehensive training programme to ensure high level of competency of staff and agents as they move into 'live' working with Horizon
- a process to ensure adherence to the standard hardware environments allow maximum efficiency, as well as offering assistance to create a 'bespoke' layout as a result of special needs of a number of outlets
- a remedial support unit in place to take the additional requirements of 'slow to learn' outlets, with processes and criteria to ensure the hand over into and out of this area are defined
- the Business Support Centre is in place with an expansion plan to deal with the roll out into the network
- a 'self help' culture is being developed by providing a user friendly manual for easy reference by the outlets.

The 'live pilot' provides an ideal opportunity to implement a number of the above initiatives with a view to tune and improve them prior to the major Horizon roll out. It is recommended that the following actions are initiated immediately in order for them to be piloted during 'live trial' :

1. Pre - work by outlet -
    - sending out a booklet for issues to consider in advance, eg assignment of passwords
2. Training programme -
    - develop a pilot training course for the PC awareness
    - develop a pilot training course to allow training attendees to work through their own daily reconciliation and weekly cash account
3. User guide -
    - create a structure
    - develop the aspect that will support the frequent / most common questions
    - develop this document for use within the trial
4. Review pilot outlets who are not conforming to the recommended hardware layouts with a view to understanding more the reasons for non conformance and developing ways to assist these outlets to be conforming (change at outlet or an additional conforming hardware layout)
5. Create a process to monitor the level of additional support required by all trial outlets, ensuring the two types of 'live trial' outlet are recorded, ie Pilot and Non Pilot, feeding back results into :
    - training development group
    - Business Support Centre
    - group setting up of the remedial support unit
    - user guide development group.
6. Set up a suite of measure to start to track and ensure the two types of 'live trial' outlets are covered.