



14.5 **ENDORSEMENT OF CUSTOMER EXPERIENCE PROGRAM**

EXECUTIVE MEMBER: **CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES**

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1. PURPOSE

1.1 This report seeks Councillors endorsement and approval of the Customer Experience Program Business Case.

2. EXECUTIVE SUMMARY

2.1 The “Customer Experience Program” is aligned directly to “Our Commitment to You” (strategic direction 6 in the Council Plan 2017-27), specifically improving customer experience and technology and being more innovative. It is also a key priority in the Organisational Strategy. It is informed by the Customer Experience Improvement Plan and ICT Strategy and Enterprise Architecture developed in 2017.

2.2 There are four key drivers for the program:

2.2.1 Declining customer satisfaction with council. Key pain points include convenience and reliability of information, poor communication and follow-up, complicated or unclear processes, difficulty accessing Council services and information, and lack of accountability and empathy.

2.2.2 As Victoria's most densely populated municipality, and with resident growth projected to increase by a further 23% by 2027 (taking our resident population to 136,300) sustainably managing growth is a key challenge for the City of Port Phillip. This growth is inevitably putting pressure on our ability to provide a responsive experience for our customers and requires us to think differently about the way we provide our services into the future.

2.2.3 Fragmented and underperforming systems. There are significant limitations with the capability, integration and performance of core business systems and some are no longer supported by vendors. There are significant opportunities for improving customer and employee experience from investing in new technology.

2.2.4 Employee experience. Staff surveys and exit interviews have identified that staff do not have the tools, mobility and information required to do their job as effectively and efficiently as they could. This is contributed to by the system limitations highlighted above and complicated and unclear processes.

2.3 In December 2017, KPMG was engaged to develop the Customer Experience Program Business Case and to conduct an operating model review of Council's Customer Experience and IT functions to ensure we are organised for success.



- 2.4 In line with our organisational vision to be recognised as “**a leading local government organisation that is agile, future ready and trusted.**”, and with approaches adopted by other councils, CoPP has considered multiple options as part of progressing with the implementation of the Customer Experience Program.
- 2.5 The preferred option is to deliver a multifaceted program including process, systems, capability and culture change over a 2.5 to 3-year timeframe incorporating five key work streams: Customer Experience Improvement, Improved Integration, Information & Systems, Mobility & Digital and Supporting Future Government. Underpinning this is development of a capability and culture of customer service excellence and innovation. Some of the key elements to be delivered include;
- 2.5.1 new finance, asset management, regulatory, rates and property systems and ways of working including e-services,
- 2.5.2 a new website, intranet and a new Customer Relationship Management system and approach.
- 2.6 The estimate is \$22.8 million over a 2.5 to 3-year delivery period including 30% contingency. A funding plan has been developed and integrated within the Draft Council Plan and Budget 2018/19. The investment requires an additional \$12.8M than was included in the 10-year Financial Outlook. However, the additional rates funding required is only \$1.5M with the remainder funded through a draw down on the smart technology and asset renewal reserve (to be repaid over a 10-year period through the financial savings achieved via the program).
- 2.7 The program is expected to deliver productivity and efficiency benefits resulting in an estimated Net Present Value of \$12M to \$16M, Net Benefits of \$45M to \$50M and Net Financial Savings of \$25M to \$28M over the life of the current 10 Year Financial Plan. The payback period is estimated at 6.5 to 7.5yrs.
- 2.8 Productivity and efficiency benefits incorporated into the payback will be managed through a robust organisational change management approach that supports the capability development required to move from transactional processing to more value-added activities, and accommodates natural attrition during the period.

3. RECOMMENDATION

That Council:

- 3.1 Approve the Customer Experience Program business case including a budget allocation totalling \$22.8M over the next 3 years.
- 3.2 Note that the Customer Experience Program will support and improve customer and employee experience and deliver financial and productivity benefits estimated at \$45M to \$50M over the life of the current 10 Year Financial Plan.



4. KEY POINTS/ISSUES

4.1 Background – problems driving investment

4.1.1 CoPP currently operates on a fragmented technology environment, with circa 100 systems and applications. An assessment of the current state of IT and the business has identified gaps and limitations with the capability, integration and performance of business systems in scope.

- Legacy systems are ageing and have limited integration
- Lack of a coordinated model for system ownership and administration, with a lack of flexibility to cater for changing business needs
- Productivity loss is high across CoPP due to technology limitations and inefficiencies to complete customer requests and council services.
- Data quality and duplication issues limit the ability to provide mature customer centric services, or use data as an asset to drive strategic decision-making.

4.1.2 Customer satisfaction as reflected in surveys and other community feedback has been decreasing in the City in recent years (current score: 67, target score: >70), dropping below the metropolitan average for local government organisations. Research conducted by the council has identified six most significant pain points customers experience in trying to interact or accomplish their goals with council:

- **Convenience and reliability of information** - Most participants don't trust Council's written information or find it difficult to understand.
- **Poor communication and follow-up** – A large number of participants felt Council was poor in communicating the outcome of requests
- **Complicated or unclear processes** – The feedback indicated that some Council processes are overly complicated and inhibiting service delivery.
- **Difficulty accessing Council services and info** – When Participants require help from Council they want it to be accessible easily.
- **Lack of accountability and empathy** – Some participants felt passed around by Council and a lack of responsibility with request ownership.
- **Parking, rubbish and planning** – Almost all participants expressed issues about parking, the general appearance and cleanliness of the area, and the tensions around planning and development.

4.1.3 Staff surveys and exit interviews have identified that staff believe that do not have the tools, mobility and information required to do their job as effectively and efficiently as they could. This is contributed to by the system limitations highlighted above and complicated and unclear processes. Addressing these issues will help to improve staff alignment, engagement and retention and ultimately support a higher performing workforce.



4.2 Steps taken – analysis and options

- 4.2.1 In December 2017 KPMG was engaged to work with Council officers to develop a Business Case for the Customer Experience Program and to review the operating models of council's customer and technology functions to ensure we organised to successfully deliver the program and its objectives.
- 4.2.2 Three key council documents provided strategic analysis and direction input to this work, "The Council Plan 2017-27", "The Customer Experience Improvement Plan (July 2017)" and "The Information, Communication and Technology strategy with supporting Enterprise Architecture (July 2017)".
- 4.2.3 The Customer Experience Program scope has been developed based on these documents and deeper analysis of current IT landscape and interdependencies.
- Customer Experience Improvement - delivering improved and integrated customer interactions, underpinned by refreshed business systems, to enable a modern, responsive, customer friendly experience.
 - Improved Integration - delivering reliable infrastructure that will create the foundation for a standardised and simplified IT environment, acting as an enabler for the customer centric end-to-end business transformation.
 - Information & Systems - delivering refreshed and updated business systems to enable flexible, integrated, contemporary and scalable systems. The upgraded IT landscape will support delivery of a single view of the customer within CoPP.
 - Mobility & Digital - delivering greater digital & mobile capability to enable better accessibility to services for both customers and staff, enhancing the customer experience and staff productivity.
 - Supporting Future Government - supporting the development of a target operating model for the ICT function and support council in rolling out its open data/open government strategy and develop applications for internal and external collaboration.
- 4.2.4 The Customer Experience Program, in line with approaches adopted by other councils, considered multiple options for design and delivery. The business case identified three options, each option was detailed, assessed financially, and evaluated against an agreed selection criteria.
- 4.2.5 The scope of the program is considered the minimum viable to achieve program objectives and address core system renewal and upgrade requirements. This includes investment in capability development and change management which are critical to the successful implementation of new process and systems but also in delivering the required cultural change within the organisation to become truly customer centric.
- 4.2.6 The "Do Nothing" proposal to maintain the current technology and customer environment formed the baseline for the analysis and has been used primarily as a reference point for all other options. It is not considered feasible as core



systems are either at or nearing the end of their useful lives and will need to be replaced in the foreseeable future.

4.2.7 Therefore, the options are largely based on the timing of delivery – KPMG considered two key options 2.5 years and 3.5 years. Based on previous feedback, the preferred option is the 2.5-year program delivering,

- **An acceleration of program benefits:** The program is expected to deliver to the proposed outcomes in a quicker timeframe, leading to significant financial and non-financial benefits to customers and the CoPP organisation.
- **Lower program delivery costs:** Overall resourcing expenditure is marginally lower as a result of an accelerated duration for the implementation of the proposed program of work.

4.2.8 We also note that this timeframe aligns with previous councillor feedback on the program in 2017 for an accelerated option.

4.3 Financial Analysis – the value proposition

4.3.1 **Financial Costs and Funding** – The current costs estimate is \$22.8 million over a 2.5 to 3-year delivery period including 30% contingency. A funding plan has been developed and integrated within the Draft Council Plan and Budget 2018/19. The investment requires an additional \$12.8M than was included in the 10-year Financial Outlook. However, the additional rates funding required is only \$1.5M with the remainder funded through a draw down on the smart technology and asset renewal reserve (to be repaid over a 10-year period through the financial savings achieved via the program).

	Total	2017/18	2018/19	2019/20	2020/21
Implementation cost	(22.8)	(0.8)	(9.3)	(6.7)	(6.0)
Rates	9.8	0.8	3.1	3.5	2.4
Deferral from 2017/18	1.7	0.0	1.7	0.0	0.0
Reserve drawdown	11.3	0.0	4.5	3.2	3.6

4.3.2 **Financial benefits** – The program is expected to deliver productivity and efficiency benefits resulting in an estimated Net Present Value of \$12M to \$16M, Net Benefits of \$45M to \$50M and Net Financial Savings of \$25M to \$28M over the life of the current 10 Year Financial Plan. The payback period is estimated at 6.5 to 7.5yrs. The savings will come from:

- Staff related productivity and efficiency savings noting that some employees will shift from transactional tasks to more value adding activities.
- Reduction in maintenance and capital expenditure, utilising better data to ensure the right level of service when contracts are renewed. An optimised capital renewal program will reduced reactive maintenance.

4.3.3 **Non-Financial benefits** are aligned to the central vision key priority in the Organisational Strategy and encompasses the themes of Customer-centred service delivery, Co-creation and Digital Enablement. A key non-financial



benefit is an estimated **overall improvement to Council's Customer Experience Score of >70%** (currently 67%), achieved through;

- **Improved customer engagement and service** provision by creating a holistic view of the customer, and delivery of more targeted, efficient and consistent services to the customers and the community.
- **Empowering the workforce** to collaborate more effectively with internal and external stakeholders through the adoption of intuitive, user-friendly technologies and customer-centered processes.
- **Reduced technology complexity** providing integrated information and better tools leading to streamlined decisions making and efficient processes
- **Improved data-led decision-making**, regulatory compliance and service planning & provision as a result of greater data integrity.
- **A single source of truth for core asset information** to establish clear data enabling processes, improve data integrity and trusted OH&S practices
- Lower risk of breaches associated with better security and privacy protection through having a streamlined identity management system.

4.3.4 Central to the delivery of these non-financial benefits is the cultural change required within CoPP to develop a customer-centric mindset in our day to day operations.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 Development of the Customer Experience Program Business Case has required comprehensive engagement across all Organisational Divisions.
- 5.2 KPMG provided consulting and knowledge based services and data utilising internal modelling, database and industry information. This leveraged earlier work undertaken by Deloitte on financial and asset management improvements.
- 5.3 Industry and market testing were completed during the development of product, program delivery and resource costs analysis.
- 5.4 CoPP ELT is actively engaged in reviews, analysis and direction setting during business case development.
- 5.5 Direct Customer and Community Engagement was undertaken as part of the Customer Experience Improvement Plan development and indirectly in the Council Plan and Budget 2018/19 community engagement and through various customer satisfaction surveys.
- 5.6 The program will establish consultation forums within the governance structure to ensure processes and protocols for staff consultation during organisational change are managed appropriately.



6. LEGAL AND RISK IMPLICATIONS

- 6.1 Delivery risk analysis identified two critical risks for focused mitigation and ongoing management;
- Poor quality of current data may impact the ability of the system(s) going live successfully.
 - Resource constraints and capability across the council to successfully execute on the program due to current BAU commitments.
- 6.2 The Customer Experience Program presents multiple procurement engagements for technology products, resources and potentially complex vendor partnership arrangements. Specific contract management resources are included in the Program Resource Plan and significant CoPP Procurement group oversight.
- 6.3 To provide best opportunity for successful delivery, within approved funding, an overarching program contingency of 30% has been included in the program budget.

7. FINANCIAL IMPACT

- 7.1 **Financial Costs and Funding** – The current costs estimate is \$22.8 million over a 2.5 to 3-year delivery period including 30% contingency. A funding plan has been developed and integrated within the Draft Council Plan and Budget 2018/19. The investment requires an additional \$12.8M than was included in the 10-year Financial Outlook. However, the additional rates funding required is only \$1.5M with the remainder funded through a draw down on the smart technology and asset renewal reserve (to be repaid over a 10-year period through the financial savings achieved via the program).
- 7.2 **Financial benefits** - The program is expected to deliver productivity and efficiency benefits resulting in an estimated Net Present Value of \$12M to \$16M, Net Benefits of \$45M to \$50M and Net Financial Savings of \$25M to \$28M over the life of the current 10 Year Financial Plan. The payback period is estimated at 6.5 to 7.5yrs.

8. ENVIRONMENTAL IMPACT

- 8.1 The implementation of modern technology applications and infrastructure will have direct impact on reducing council's technology hardware "footprint" reducing council's power consumption, technology hardware related heat production and, indirectly, of materials used in the production of technology hardware and related consumables.
- 8.2 Indirectly, the productivity and efficiency savings delivered by the program will free up staff time and financial resources which may be invested in furthering environmental outcomes.

9. COMMUNITY IMPACT

- 9.1 Increased Customer satisfaction and trust in Council are prime drivers of the program, this will be a positively impacted by delivering improved, integrated customer interactions, underpinned by technological advancements and enable a future ready, agile, user friendly and personal experience.



- 9.2 The program will enable improved services for the community by directly addressing the identified pain points. This will enable us to assess and address community needs faster, better and deeper.
- 9.3 Indirectly, the productivity and efficiency savings delivered by the program will free up staff time and financial resources which may be invested in furthering community outcomes.

10. ECONOMIC IMPACT

- 10.1 The program will support reduced community time spent on council services. It will also open data. This may lead to increased investment by business and the community that support economic outcomes.
- 10.2 Indirectly, the productivity and efficiency savings delivered by the program will free up staff time and financial resources which may be invested in furthering economic outcomes.

11. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 11.1 The “Customer Experience Program” is aligned directly to “Our Commitment to You” (strategic direction 6 in the Council Plan 2017-27), specifically improving customer experience and technology and being more innovative. It is also a key priority in the Organisational Strategy. It is informed by the Customer Experience Improvement Plan and ICT Strategy and Enterprise Architecture developed in 2017.

12. IMPLEMENTATION STRATEGY

12.1 TIMELINE

- 12.1.1 The Customer Experience Program will deliver over a 2.5 to 3-year timeframe including process, systems, capability and culture change incorporating five key work streams: Customer Experience Improvement, Improved Integration, Information & Systems, Mobility & Digital, Supporting Future Government. Underpinning this is development of a capability and culture of customer service excellence and innovation.
- 12.1.2 Approval of the Program Business Case will initiate the program mobilisation stage progressing through to June. This includes the procurement of an implementation partner, initiating the change management plan and implementing the program governance structure.

12.2 COMMUNICATION

- 12.2.1 Approval of the Program Business Case will initiate the change management and communications work stream to ensure the implications of the program are communicated effectively to staff, customers and community.
- 12.2.2 Existing communications channels will be used to communicate key messages throughout the program, and additional communications and engagement



forums will be established to gather input and feedback on elements requiring consultation.

Customer Communications Channels	Staff Communications Channels
<ul style="list-style-type: none"> • CoPP Website • Social Media • Bulletins/Updates • Customer Engagement Forums • Survey Processes 	<ul style="list-style-type: none"> • CEO Message (Real News) • All Staff Briefing • CoPP Intranet • Email • Desktop Wallpaper • Yammer • Visual Communications Materials • Staff Engagement Forums • Survey Processes

12.2.3 Initial key messages will focus on building awareness of how the program will address **customer pain points** and produce **customer-centred outcomes** aligned with the Council Plan. Customer survey processes will also measure the impact of improvements to our customer experience over time. Key messages regarding change drivers, Council investment and customer and community outcomes are:

- Current data suggests a decline in customer satisfaction with Council due to difficulty accessing services and reliable information, poor communication and follow-up, complicated processes and a lack of accountability and empathy.
- Staff surveys and exit interviews indicate staff feel they do not have the tools, mobility and information required to do their jobs effectively. There are significant limitations of capability, integration and performance of core business systems.
- To transform our customer and employee experience we need to invest in our business processes, technology and people. This \$22.8 million, three-year program will improve: Customer Experience and Information, Council Data and Systems (including Mobility and Toolsets) and Integration. Developing capability and culture of customer service excellence and innovation will underpin this program's success.
- The program outcomes will include simplified processes, improved information quality and communication channels and trusted customer-centric practices - supported by future ready systems and technology.
- The program is expected to deliver productivity and efficiency benefits resulting in an estimated Net Present Value of \$12M to \$16M, Net Benefits of \$45M to \$50M and Net Financial Savings of \$25M to \$28M over the life of the current 10 Year Financial Plan. The payback period is estimated at 6.5 to 7.5yrs.

12.2.4 These elements will be used as the basis for communications collateral, and contribute to the development of a Customer Charter to provide a set of guiding principles and tangible actions for delivering our customer experience.



ORDINARY MEETING OF COUNCIL 18 APRIL 2018

13. OFFICER DIRECT OR INDIRECT INTEREST

13.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

TRIM FILE NO: 16/01/832

ATTACHMENTS 1. CXP BC_Extract Council Report (180418)