



2009 WINNING CASE STUDY
Best Private Sector Project and Change Management in the
Private Sector
KPMG with APACS

APACS – bringing faster payments to the UK banking system

Executive summary

With KPMG's support, the UK banking industry successfully launched a new system of same-day payments, putting it at the forefront of the world's financial sectors. Inheriting a hugely complex and technically challenging £300 million initiative that was six months behind schedule, we applied highly professional and rigorous programme management to meet the new May 2008 deadline and satisfy the demands of the Office of Fair Trading and the Treasury.

Building on our independence and impartiality, KPMG was able to pull together a diverse group of stakeholders including thirteen banks, the payments trade association APACS, infrastructure provider VocaLink, new payments scheme operator CHAPS Co and the Bank of England. Our highly structured approach brought clarity and discipline to the replanning and management of the programme.

Through an extensive series of tests, run with military precision, we coordinated all the banks to ensure that the system could process high volumes of payments in near real-time. The new May start date was met successfully with eleven of the banks able to receive money on the same day, giving UK customers a truly world class service.

How we made a difference

By simplifying the programme structure and clarifying deadlines, and by producing robust and transparent reporting, KPMG galvanised all the stakeholders to focus on key milestones. Our professional programme management, our fair, objective approach, and our ability to make tough decisions won us immense respect, creating a more harmonious working relationship that overcame any competitive rivalry.

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Problem/opportunity faced by the client

In response to demands from the Office of Fair Trading (OFT) and the Treasury, the UK banking industry had pledged to speed up its clearing service from three days to the same day by 2007. 'Faster Payments' was the biggest change in payments for over two decades and involved a huge, industry wide exercise requiring deep changes into the bank system, taking three years and costing around £300 million.

The size and complexity of this task was immense, with multiple stakeholders, many levels of testing and considerable political pressure. There were several working groups comprised of representatives from all the banks, with over two hundred individuals actively involved. Following a significant setback in early 2007 it was clear that the programme was not going to meet its deadline of November of that year.

All the main stakeholders working on the programme were part of the banking industry. In addition to the thirteen participating banks and building societies, both APACS – the UK trade association for payments and for those institutions that deliver payment services to customers – and VocaLink – who provided the platform for delivering the new service – were owned by the banks. With the new, extended deadline of 27th May 2008 looming, all the parties agreed that the introduction of an independent, impartial voice could help speed up the process by making firm challenges and taking occasional unpopular decisions when necessary.

Project background

In July 2007 KPMG was brought in as the new programme delivery director. Working with APACS, VocaLink and the banks, KPMG had to find a way to restore momentum and stability to the programme to keep all parties totally focused on the ultimate objective: to integrate their own payment systems with the new 'Faster Payments' infrastructure ready for public launch in May 2008.

The Payments Council, the OFT and the Treasury made it quite clear that the new deadline was immovable.

Consulting activity

We pulled together a team of ten professionals experienced in retail banking and payments systems, IT consulting, testing and programme management, including one partner, one director and four senior managers.

Our first task was to speak to all the parties involved to gain a full understanding of why the programme had been delayed. By emphasising our position as a fully independent and objective party, KPMG made it clear that we would be working in partnership with all the stakeholders. From day one we applied a consultative yet firm approach, helping everyone keep his or her focus on delivery dates for each activity, and avoiding any activity considered non-essential.

The entire programme was then restructured into three streams:

Programme management and governance

To cope with the enormous complexity of the programme, we brought stability by quickly producing and issuing a Programme Governance document. This clarified all the roles and lines of reporting of the working group structure needed to deliver the programme, which gave each party clear parameters and timelines, leading to a greater focus on critical tasks.

Given the very tight deadline, we introduced a rigorous progress report cycle, with meetings every two weeks involving representatives from each of the banks, VocaLink, new payments scheme operator CHAPS Co and APACS. The subsequent reports created a 'single version of the truth' for all those involved, highlighting successes (and failures) and helping us identify and deal with any problems swiftly. We also made it clear that the new programme plan left no room for delays, with a series of tests and other actions following each other in swift succession, meaning that those falling behind schedule risked missing the ultimate launch date.

Such a firm, centrally controlled approach, although tough on any parties missing the published action dates, was seen as fair and transparent, with a general recognition that this was in everyone's best interests.

Testing the new system

We coordinated an extensive series of tests to ensure that all the banks' payment systems were successfully integrated with the new 'Faster Payments' central infrastructure. This involved the testing of end-to-end payments to confirm that every part of the process was working smoothly. Thorough performance testing was undertaken to confirm that all parties were able to process the high volumes of payments expected to go through the system. In addition to this, we carried out a comprehensive range of tests on each part of the system to ensure they all operated smoothly. Such an exhaustive process was designed to give banks full confidence in the new system.

Once more, KPMG exercised strong control; we were insistent that only those that had fully completed all the necessary tests could move onto the next phase.

The launch: going live

This preparation work took place in parallel to the testing to ensure that the new platform was completely ready and working in time for the agreed deadline. We put together a very large and detailed list of activities necessary to achieve a successful transition of the banks' payments to the new 'Faster Payment' service. As well as managing the transition on a minute-by-minute basis over the launch period, we had to establish the support infrastructure that would run 24 hours a day.

In the final countdown to going live, the exercise ran to a highly detailed schedule, with escalation and alert procedures, incident management dress rehearsals and carefully managed communication between all participating banks and the key stakeholders, primarily via a constant stream of conference calls.

Through a huge cooperative effort by the banks, the Bank of England, CHAPS Co, APACS and VocaLink, banks were able to successfully send small amounts of money through the system and reconcile these at each end, including recording the transactions on online statements – an exercise that took two weeks to

complete. By demonstrating that the live system worked effectively prior to the public launch, we gave all the stakeholders greater confidence in the new system.

Success factors and challenges

On the agreed deadline of 27th May 2008, eleven of the thirteen banks met the programme requirements by receiving payments on the same day (for other reasons the remaining two had always planned to work to a later date), and the majority were able to send a payment on the same day. This was a tremendous achievement, given the scale of the undertaking and the previous challenges.

Bank customers now benefit from a far more efficient and fair process, ensuring that they get maximum benefit from deposits and are able to move money quickly and safely. The OFT, the Treasury and the Bank of England are satisfied that banks are now giving customers the required speed of service.

The UK is now well ahead of most of the rest of the world in the speed with which it can transfer money between customer bank accounts.

The UK banking industry acknowledges that their decision to use a truly impartial, objective party to help manage this large and complex change project – involving multiple stakeholders – was a vital factor in meeting the launch date.

Client/consultant relationship

KPMG made it very clear that it was completely independent, with only one aim: to help all the banks meet their new deadline of 27th May 2008. Subsequently all the banks became increasingly comfortable highlighting any problems or concerns to us, in the knowledge that we stood apart from the industry. This in turn gave us greater insight, helping us reshape the programme accordingly and make pragmatic decisions in the rare occasions when we considered extending deadlines or changing programme content.

By taking a clear lead, applying a firm approach to deadlines and treating all the participating banks equally, we were viewed as tough but fair. The stakeholders realised that we had their best interests at heart, helping us win their respect. But equally, we showed a willingness to be flexible when changes were essential to minimise risk or maintain functionality, a stance that was also appreciated.

Our attention to detail and robust programme structure ensured that each bank had a very clear and unambiguous set of demands, which made the whole process simpler and concentrated all parties' minds on the launch date. Such clarity of purpose, allied to our friendly and straightforward working style, created a genuine team spirit where people also had a lot of fun, particularly as the project progressed and the stakeholders shared in the success of our approach.

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