

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF MAY 29, 2017
FROM:	MARTIN HAYWARD CITY MANAGER
SUBJECT:	UPDATE ON SERVICE REVIEW INITIATIVES

RECOMMENDATION

That on the recommendation of the City Manager, the following report providing an update on Service Review initiatives **BE RECEIVED** for information purposes.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

“Service Review Initiatives, Process and 2016 Update,” Strategic Priorities and Policy Committee, September 26, 2016

“Tabling of the 2016 – 2019 Multi-Year Budget,” Strategic Priorities and Policy Committee, January 11, 2016

PURPOSE OF REPORT

Service Reviews are specifically identified as a strategic priority in Council’s 2015-2019 Strategic Plan under the Strategic Area of Focus “Leading in Public Service – Excellent service delivery.”

This report provides Council with an update on the Service Review initiatives underway and timelines associated with the project as a whole. Additionally, preliminary information on future “Deep Dive” reviews is outlined. Results associated with Council’s 2017 Service Review target will be provided by the City Manager in September.

BACKGROUND

Through the 2016-2019 Multi-Year Budget, Council directed Civic Administration to undertake a Service Review program in order to fund \$4 million in unidentified permanent budget reductions that were built-in to the approved budget (see Table 1). As reported to Council last September, the \$500,000 savings target for 2016 was achieved.

Table 1: Service Review Targets

	2016	2017	2018	2019	Total
Service Review Targets	\$0.5M	\$1.0M	\$1.5M	\$1.0M	\$4.0M

During the Service Review report discussions and again in the deliberations for the 2017 Annual Budget Update, several members of Council expressed a desire to know more about Administration’s plans for Service Review and what efforts are being taken to identify potential savings beyond the \$4 million target. Concerns were also raised that more comprehensive Service Reviews are likely needed in order to prepare for significant budget pressures anticipated for the next Multi-Year Budget (2020 – 2023).

Although this report provides further information on Administration’s Service Review initiatives, the regular report on the achievement of the 2017 target will be received by the Strategic Priorities and Policy Committee in September 2017, per Council’s approved process.

DISCUSSION

Several definitions exist for Service Review, generally dependant on a government’s approach to the nature of the review being explored. For the City of London, Service Review is defined as ***an evaluation process in which a specific municipal service is systematically reviewed to drive a more efficient use of resources and to determine the most appropriate way to provide it.***

The City’s Service Review program has several aims:

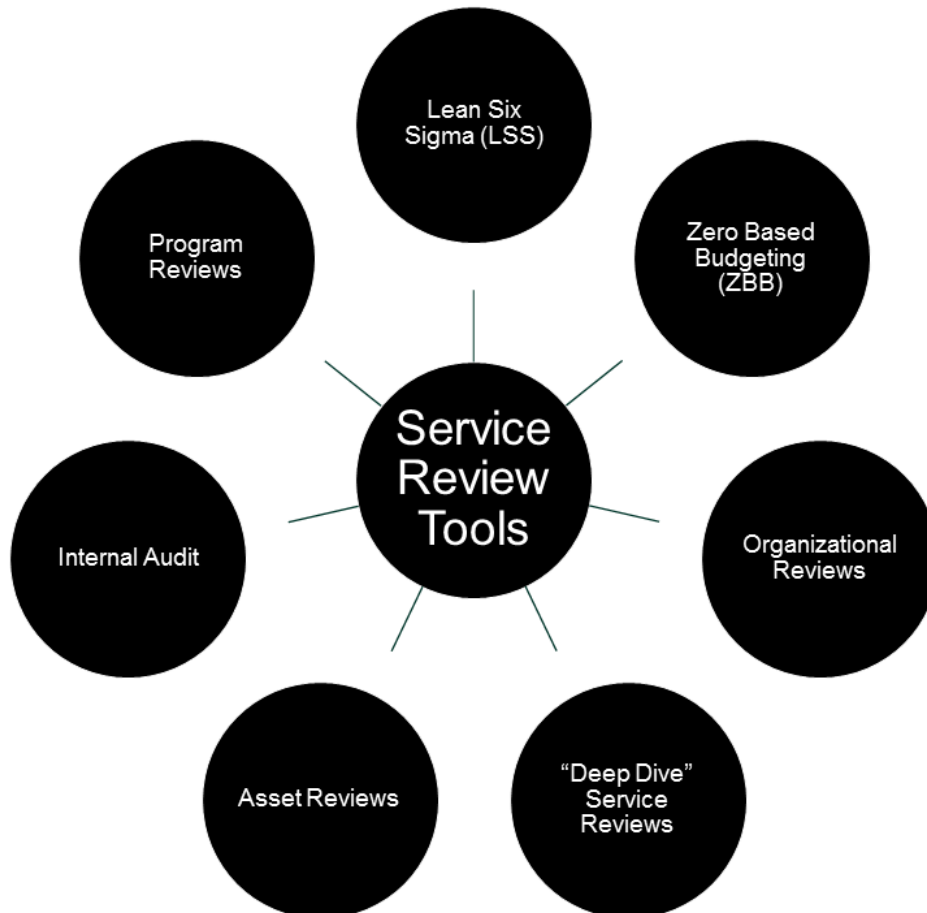
- Confirm that the right City services are being provided (effective) in the right way (efficient).
- Identify budget savings to contribute to the \$4 million service review target and to mitigate 2020-2023 Multi-Year Budget tax rate increases.
- Foster a culture of continuous improvement within the organization.

The sections below highlight the London approach to Service Review and the tools being used to advance the above aims. Administration has adopted a broad conceptualization of Service Review to include a number of initiatives pursuing similar goals. Each initiative reflects a different “tool in the tool kit,” providing a comprehensive approach to identifying cost savings, opportunities for cost avoidance and potential revenue generation.

Service Review Initiatives

As identified in Figure 1, there are presently seven (7) Service Review initiatives underway. Generally, these initiatives were assembled and activated in the months following Council’s adoption of the Service Review targets. Some of the initiatives have been in planning stages and are now proceeding to implementation and analysis. As a result, Administration will be very active in Service Review undertakings in the coming years.

Figure 1: Service Review Initiatives



Profiles of each Service Review initiative are provided in Appendices ‘A’ to ‘G’ attached to this report. The summaries are intended to provide information on the work being performed and to highlight what can be expected from each type of review.

With the exception of “Deep Dive” Reviews (discussed separately below), each review undertaken as part of the program is anticipated to have a short completion timeline, providing focus and momentum for the analysis and to identify cost savings for the annual targets. It is also recognized that the reviews can be taxing on the service being examined; therefore, to mitigate impacts on our employees, the review periods are condensed as much as possible while still ensuring that the analysis is sufficiently detailed and comprehensive. It should also be noted that all of the Service Review initiatives conducted to date have been undertaken using existing staff resources.

Service Review Coordinating Committee

In order to improve internal coordination and avoid duplication of efforts, an internal Service Review Coordinating Committee has been formed of the leads for each initiative. The Committee is formalizing and standardizing a number of cross-initiative issues, such as terms of reference, reporting/feedback mechanisms, prioritization of initiative reviews to avoid duplication, governance considerations, and overall project timelines.

The Coordinating Committee will continue to meet in order to guide the overall project. Additionally, information shared by Committee members may assist in identifying opportunities for review and improvement through the use of other Service Review tools.

Further Review: “Deep Dive” Reviews

Over the past several months, Administration has been considering the approach for more involved Service Reviews. Known at present as “Deep Dive” Reviews, this initiative aims to examine the following questions for prioritized services:

- What is the appropriate level of service to be provided to Londoners? Are service adjustments warranted?
- Are there opportunities to deliver services differently than present?
- Should the service be reduced or eliminated? If so, what are the impacts associated with those changes?

Although it is anticipated that the “Deep Dive” focus will be on identifying efficiencies and savings, the reviews may also highlight services that warrant investment though additional funding to meet or improve service levels. Any recommendations for new funding will be referred to the next Multi-Year Budget cycle, rather than being addressed through the Service Review program.

The “Deep Dive” is anticipated to produce the following outcomes:

- baseline data regarding services and service levels;
- consolidated comparative municipal benchmarks;
- services that could be changed to generate savings; and,
- process for future service and budgetary decisions.

Depending on the nature of the “Deep Dive” reviews, some may require updates and information to be provided in camera.

“Deep Dive” Service Reviews will be a significant project, requiring expertise, substantial personnel resources, and focussed involvement of those undertaking the work. The City Manager has determined that a consultant should be hired to lead the project and to perform the “Deep Dive” reviews, funded from the Effectiveness, Efficiency and Economy Reserve. This is consistent with the approach used by many municipalities that have completed similar initiatives. Additionally, a number of consulting firms have established processes and models to undertake this work, permitting the City to benefit from prior experience and “ready to implement” solutions. A Request for Proposal (RFP) is being drafted and will be released this summer.

Recognizing the limited City experience with and importance of the “Deep Dive” initiative, Administration will work with the consultant to complete a pilot “Deep Dive” review at the beginning of the project. The pilot review will be used to identify data needs, refine the “Deep Dive” methodology, and assess timeline and personnel resource requirements. The City Manager will select the service for the pilot project in consultation with the Senior Leadership Team. Following the completion of the pilot review, a report will be provided to Council to communicate what was learned from the process and to provide an update on the approach for the broader “Deep Dive” initiative.

Public engagement will be an important part of the “Deep Dive” process. A community conversation is necessary to gather perspectives and suggestions regarding the services the City provides and the levels of service expected by the public. Prior to public engagement, however, the “Deep Dive” consultant and staff will prepare service profiles and information in an understandable format and sufficiently comprehensive to have an informed dialogue about City services. The results of the community conversation will inform the suggested prioritization of “Deep Dive” reviews and the resulting analysis and recommendations to Council.

Service Review Timelines

Appendix ‘H’ provides an overall timeline for Service Review initiatives. For 2017 through 2019, Administration will be very active with Service Review activities and in pursuing cost savings associated with Council’s targets.

It is anticipated that Lean Six Sigma and “Deep Dive” reviews in particular will have prolonged timelines extending into the next Multi-Year Budget period. These initiatives are key to Administration’s efforts to improve processes, service delivery, organizational culture and budgeting for levels of service. Due to the impactful nature of these initiatives, an internal communications strategy is being developed to raise awareness for our employees about what the reviews will entail and how they can assist in the successful implementation of the initiatives.

Next Steps

Service Review efforts will continue over the coming months, with significant work planned for the Lean Six Sigma initiatives, roll-out of the approved Internal Audit work plan, Zero-based Budgeting analyses and recommendations arising from the Asset Reviews. In addition, an RFP will be released for the “Deep Dive” initiative, with a pilot review commencing in the fall.

Per Council direction, the City Manager will report in September on the 2017 Service Review target and any associated matters.

CONCLUSION

Administration is diligently pursuing a number of Service Review initiatives in order to identify savings for Council’s yearly targets. The types of initiatives are diverse to identify opportunities from several perspectives. A Coordinating Committee has been established to prioritize initiatives and to provide a forum for cross-initiative learning to aid in highlighting other candidates for further examination.

In the coming months a consultant will be hired to undertake “Deep Dive” reviews of prioritized services. This initiative will examine service levels, service delivery and service provision to identify additional savings to contribute to annual Service Review targets and to inform the 2020-2023 Multi-Year Budget.

The City Manager will provide a report to Council in September regarding the 2017 Service Review target and any associated updates.

Acknowledgements: The City Manager would like to acknowledge and thank staff who have taken the lead on Service Review initiatives, including Kate Graham, Cathy Parsons, Kyle Murray, Ian Collins, Gary Bridge, Anna Lisa Barbon and Paul Yeoman.

PREPARED AND SUBMITTED BY:
PAUL YEOMAN DIRECTOR, DEVELOPMENT FINANCE FINANCE AND CORPORATE SERVICES
REVIEWED AND RECOMMENDED BY:
MARTIN HAYWARD CITY MANAGER

May 19, 2017

cc. Senior Leadership Team
Cathy Parsons, Manager, Economic Partnerships
Ian Collins, Senior Financial Business Administrator
Kyle Murray, Senior Financial Business Administrator
Larry Palarchio, Director, Financial Planning & Policy
Gary Bridge, Manager, Human Resources and Corporate Services

- Appendix 'A': Service Review Profile – Lean Six Sigma**
- Appendix 'B': Service Review Profile – Internal Audit**
- Appendix 'C': Service Review Profile – Zero-based Budgeting**
- Appendix 'D': Service Review Profile – Program Reviews**
- Appendix 'E': Service Review Profile – Organizational Reviews**
- Appendix 'F': Service Review Profile – Asset Reviews**
- Appendix 'G': Service Review Profile – “Deep Dive” Reviews**
- Appendix 'H': Service Review Timelines**

APPENDIX 'A': SERVICE REVIEW PROFILE – LEAN SIX SIGMA

Lead	City Manager's Office
Initiative Description	<p>Lean Six Sigma (LSS) is defined as a set of concepts, principles and tools used to create and deliver the most value from the customers' perspective while consuming the fewest resources and fully utilizing the skills and knowledge of those who do the work.¹</p> <p>The City's LSS initiative is based upon a team structure where members work collaboratively to identify opportunities for improvement in service delivery and operational practices to increase efficiency, capacity and quality of product or service.</p>
Initiative Purpose	<ul style="list-style-type: none"> • LSS identifies and eliminates unnecessary steps, streamlines processes and ultimately improves value for the end users (our customers). • LSS aligns with Council's 2015-19 Strategic Plan vision, mission and values, as well as many elements of Focus Area 4: "Leading in Public Service"; 'Innovative and supportive organizational practices' and 'Excellent service delivery'.
Initiative Methods	<ul style="list-style-type: none"> • Implement Lean management tools and techniques to support Council's strategic objectives for 2015-19 and build capacity within the City of London. • Lean defines opportunity, measures the baseline performance, analyzes the root causes, improves the process and implements controls to prevent regression.
Initiative Results To Date	<ul style="list-style-type: none"> • 30 employees trained in Lean Six Sigma <ul style="list-style-type: none"> ○ 18 employees certified as LSS Green Belts ○ 2 employees certified as LSS Black Belts • 16 Green Belt projects have been initiated <ul style="list-style-type: none"> ○ 10 projects have successfully been completed ○ 6 projects are in progress • Senior Leadership Team trained as LSS White Belt • LSS Multi-Disciplinary Team (one representative from each Service Area) established to assist with the development of the LSS Road Map
Timelines/Key Dates	<ul style="list-style-type: none"> • Q4 2017 – LSS Road Map • Q4 2017 – LSS Communication Strategy • Q4 2017 – Completion of Phase 1 and 2 Green Belt projects • Q4 2017 and beyond – Continuation of LSS reviews

¹ As defined by the Lean Enterprise Institute.

APPENDIX 'B': SERVICE REVIEW PROFILE – INTERNAL AUDIT

Lead	Audit Committee/Internal Auditors (outsourced)
Initiative Description	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. ²
Initiative Purpose	<ul style="list-style-type: none"> • Assist the Administration, Audit Committee and Council in fulfilling their oversight responsibilities; and • Provide independent, objective audit and advisory services designed to add value and improve the effectiveness of the City's control, compliance and governance processes.
Initiative Methods	<ul style="list-style-type: none"> • Monitoring and evaluating the effectiveness of the City's control activities; • Validating that management in each division provides effective monitoring and oversight of processes and activities while balancing risk, cost and benefit; • Reviewing the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information; • Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on City of London operations; and • Assessing whether resources and assets are adequately protected against loss or misappropriation.
Initiative Results To Date	<ul style="list-style-type: none"> • Deloitte has been hired as the City's Internal Auditor. • Council approved the 2017 – 2020 Internal Audit Plan on May 16, 2017.
Timelines/Key Dates	<ul style="list-style-type: none"> • 2017 Internal Audits: <ul style="list-style-type: none"> ○ Freedom of Information process assessment ○ Management compensation process assessment ○ IT project portfolio and project management assessment ○ Building permit process assessment ○ Homelessness prevention management process assessment ○ Cash handling process review • 2018 Internal Audits <ul style="list-style-type: none"> ○ Health and safety assessment ○ Procurement process assessment ○ Class replacement project post-implementation review ○ IT security assessment ○ Parking revenue generation assessment ○ Rapid transit project ○ Housing process assessment

² As defined by the Institute of Internal Auditors.

APPENDIX 'C': SERVICE REVIEW PROFILE – ZERO-BASED BUDGETING

Lead	Finance and Corporate Services
Initiative Description	Zero-based Budgeting (or Zero-based Reviews) refers to the methodology of building a budget “from the ground up” to achieve the level of service planned. Zero-based Reviews are scalable and may be conducted at the service, business unit or object account level.
Initiative Purpose	<ul style="list-style-type: none"> • Identification of the necessary resources to deliver the unit’s objectives/outcomes asking the following questions: <ul style="list-style-type: none"> ○ Is the program/service effective? – Are we doing the right thing? Is the service achieving the objectives desired by Council or the Administration? ○ If effective, is the program/service efficient? – Are we doing things in the right way? Could this program be delivered in a way that is less costly, but achieves the same goals? • Avoids an “incremental increase” budget approach. • Identify opportunities to reallocate budget to higher priority corporate initiatives (i.e. Service Review Targets).
Initiative Methods	<ul style="list-style-type: none"> • Reviews by Finance Business Administrators who would undertake 2-3 reviews each year that would employ a Zero-based Budget approach. • Zero-based Reviews are initiated by reviewing recent financial results to identify areas with consistent budget surpluses or deficits. • Once the targeted area has been identified, Finance works collaboratively with the Service Area to understand, at a detailed level, current and future needs to be funded by those budgetary resources. • Current and future needs are compared to the annual budget for that area to determine whether a surplus (to be contributed to the Corporate Service Review target) or deficit (to be addressed through annual budget updates) exists.
Initiative Results To Date	<ul style="list-style-type: none"> • 6 reviews undertaken to date with 12 reviews lined up and underway in 2017. • From the zero based budget exercises undertaken to-date, opportunities for detailed program reviews were determined, and budgetary savings were identified (2016 - Animal Care & Control, Solid Waste Revenue, POA Fines, and Dearness Café).
Timelines/Key Dates	<ul style="list-style-type: none"> • Q2 2017 – Identification of preliminary areas of review to Senior Leadership Team (complete) • Q2 2017 – First set of reviews commence, to be completed in 2-3 months • Q3 2017 and beyond – Subsequent rounds of reviews based on opportunities identified

APPENDIX 'D': SERVICE REVIEW PROFILE – PROGRAM REVIEWS

Lead	Senior Leadership Team Members
Initiative Description	Program Reviews refers to the detailed analysis of existing programs (e.g., grants, loans, revenue streams) provided and/or delivered by the Corporation.
Initiative Purpose	<ul style="list-style-type: none"> • Determine the alignment of the program being reviewed with the Corporation’s Strategic Plan. • Assess the effectiveness and efficiency of the program in achieving the stated goals and associated key performance metrics of that program. Consider the financial sustainability of the program.
Initiative Methods	<ul style="list-style-type: none"> • The methods used to conduct the reviews will depend on the nature of the specific review being conducted, however they will generally give consideration to: the goals and objectives of the program, metrics used to assess performance of the program, current performance and desired future state, alternatives for achieving desired future state, financial implications associated with the various alternatives, assessment of the risks associated with the current and future levels of performance, recommended alternative and action plan for implementing that recommendation.
Initiative Results To Date	<ul style="list-style-type: none"> • Review of Community Improvement Plan Incentives resulting in identified both one-time savings and permanent annual savings, resulting in an improved re-allocation of funding and future contributions to the Corporate Service Review target. • Review of sponsorship program for City recreation facilities provided contributions to the Corporate Service Review target in 2016.
Timelines/Key Dates	<ul style="list-style-type: none"> • Program reviews will be conducted intermittently, as opportunities for these reviews are identified by the Senior Leadership Team or through other Service Review initiatives.

APPENDIX 'E': SERVICE REVIEW PROFILE – ORGANIZATIONAL REVIEWS

Lead	Senior Leadership Team Members Human Resources and Corporate Services
Initiative Description	Organizational reviews help ensure Service Area organizational structures are designed to be able to deliver on Council's Strategic Plan, leverage best practices, enhance collaboration and eliminate duplication within and across Service Areas with the goal to create effective and efficient organizational structures that provide optimum service delivery and flexibility for future growth and increased work demands.
Initiative Purpose	<ul style="list-style-type: none"> • Reform and refine our structure to ensure it aligns and supports Council's Strategic Plan • Instil clarity of focus and accountability by clearly defining roles and responsibilities • Eliminate duplication and confusion in service delivery including examining forms of alternate service delivery • Promote efficiencies and effectiveness by bringing activities that require co-ordination together under one Division and one Service Area with clear boundaries and defined processes • Ensure both internal and external models for delivering services are aligned and mutually supportive with clearly defined roles
Initiative Methods	<ul style="list-style-type: none"> • The methods used for Organizational Reviews are dependent on the nature and scope of the review being conducted. Organizational reviews may include the following: <ul style="list-style-type: none"> ○ Interviews with key stakeholders to identify overlap and gaps in organizational structure ○ Identification of future needs and work demands ○ Consideration of work methods, best practice and leveraging technology ○ Review of current work and any legislative impacts to the Service Area ○ Benchmarking with comparable organizations ○ Analyzing information to allow the Corporation to better understand and manage the workforce.
Timelines/Key Dates	<ul style="list-style-type: none"> • Organizational reviews will be conducted as opportunities and needs are identified for these reviews.

APPENDIX 'F': SERVICE REVIEW PROFILE – ASSET REVIEWS

Lead	Finance and Corporate Services
Initiative Description	Administration is undertaking a comprehensive review of major City-owned assets to assess the future of the assets and whether any candidates for disposal and sale emerge for Council consideration.
Initiative Purpose	<ul style="list-style-type: none"> • Create a Council policy to inform the allocation of proceeds from the sale of a major asset • Establish a timeline for future reviews of City-owned assets • Review two categories of assets: <ul style="list-style-type: none"> ○ Class A (Vacant Land and Buildings) ○ Class C (Major Venues, Non-Core Services and Assets)
Initiative Methods	<ul style="list-style-type: none"> • Class A – Vacant Land and Buildings: <ul style="list-style-type: none"> ○ Systematic review of 138 City-owned vacant land parcels, based on six (6) categories: <ul style="list-style-type: none"> ▪ Disposal ▪ Transfer to HDC ▪ Retain for Strategic Needs ▪ Retain for Operational Needs ▪ Program for Small Parcels ▪ Inventory Adjustment ○ Identification of lands for Housing Development Corporation Purposes • Class C – Major Venues, Non-Core Services and Assets): <ul style="list-style-type: none"> ○ Cost-benefit analysis of City ownership of Class C assets ○ Examination of ownership limitations and potential interest in assets if sale is an alternative • Class C – London Hydro Review: <ul style="list-style-type: none"> ○ Strategic assessment of future alternatives for London Hydro: <ul style="list-style-type: none"> ▪ Status Quo ▪ Merger with another Local Distribution Company ▪ Acquisition of other Local Distribution Companies ▪ Partial or Full Sale of London Hydro
Initiative Results To Date	<ul style="list-style-type: none"> • Sale of Major Assets Policy approved by Council • Council endorsement of timeline for future asset reviews (previously non-existent) • Eight (8) surplus vacant parcels identified with potential one-time proceeds • London Hydro strategic review consultant hired
Timelines/Key Dates	<ul style="list-style-type: none"> • Q2 2017 – Class A Review (complete) • Q3 2017 – Class C Review • Q4 2017 – London Hydro Review

APPENDIX 'G': SERVICE REVIEW PROFILE – “DEEP DIVE” REVIEWS

Lead	City Manager's Office
Initiative Description	“Deep Dive” Reviews will examine service delivery and opportunities for associated cost savings. Reviews will be prioritized based on a review of baseline information and community perspectives.
Initiative Purpose	<ul style="list-style-type: none"> • Comprehensive review of City of London services to examine the following: <ul style="list-style-type: none"> ○ Levels of service and possible service level adjustments ○ Alternative service delivery opportunities ○ Potential service reductions or eliminations
Initiative Methods	<ul style="list-style-type: none"> • Establish baseline service profiles (reasons for providing the service, benefits of service, financial information) • Define service levels (existing and desired) • Comparative review of similar municipalities • Community engagement • Prioritization of “Deep Dive” reviews and analysis of alternatives
Initiative Results To Date	<ul style="list-style-type: none"> • In preliminary planning stages (research and information gathering) • Will be retaining a consultant to lead the project
Timelines/Key Dates	<ul style="list-style-type: none"> • Q3 2017 – RFP for consultant • Q4 2017 – Q1 2018 – “Deep Dive” pilot project and recommendations • Q1 2018 – Q4 2018 – Inventory, benchmarking and service level • Q1 2019 – Public engagement • Q1 2019 – Q3 2018 – “Deep Dive” analysis and recommendations • Q4 2019 and beyond – Further “Deep Dive” reviews

APPENDIX 'H': SERVICE REVIEW TIMELINES

Service Review Timelines: 2017 - 2019

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Lean Six Sigma (LSS)											
LSS Training											
LSS Road Map											
LSS Communications Strategy											
LSS Projects and Reviews											
Internal Audit											
Council adoption of Audit Plan											
2017 Internal Audits											
2018 Internal Audits											
2019 Internal Audits											
Zero-based Budgeting (ZBB)											
Identification of preliminary review areas for SLT											
First set of ZBB reviews											
Continued ZBB reviews											
Program Reviews											
Organizational Reviews											
Asset Review											
Class A (Vacant Lands)											
London Hydro											
Class C (Major venues and non-core services)											
"Deep Dive" Reviews											
Request for Proposal and consultant engagement											
"Deep Dive" pilot project											
Inventory, benchmarking and service levels											
Public engagement											
"Deep Dive" analysis and recommendations											
Further "Deep Dive" reviews											