

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF SEPTEMBER 17, 2018</b>
<b>FROM:</b>	<b>MARTIN HAYWARD CITY MANAGER  AND ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>SERVICE REVIEW INITIATIVES 2018 UPDATE</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the City Manager and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following report **BE RECEIVED** for information.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- “Tabling of the 2016 – 2019 Multi-Year Budget,” Strategic Priorities and Policy Committee, January 11, 2016
- “Service Review Initiatives, Process and 2016 Update,” Strategic Priorities and Policy Committee, September 26, 2016
- “Update on Service Review Initiatives,” Strategic Priorities and Policy Committee, May 29, 2017
- “Service Review Initiatives 2017 Update,” Strategic Priorities and Policy Committee, September 18, 2017
- “RFP 18-04: City of London Service Review – Consulting Services,” Strategic Priorities and Policy Committee, March 26, 2018

<b>LINK TO THE STRATEGIC PLAN</b>
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The Service Review initiative advances the following areas of focus and objectives of Council’s Strategic Plan:

- Leading in Public Service
- 3. Proactive Financial Management
  - A) Make sure that finances are well-planned to keep costs as low as possible and look to limit the burden on current and future rate payers.
  - B) Make sure that financial issues are not created and pushed into the future, creating problems for future generations.

<b>PURPOSE OF REPORT</b>
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On March 10, 2016, Municipal Council resolved that the City Manager be directed to undertake a service review process that achieves the following savings reflected in the 2016-2019 base budget:

- \$500,000 in 2016;
- an additional \$1,000,000 in 2017;
- an additional \$1,000,000 in 2018; and
- an additional \$1,500,000 in 2019.

Following the adoption of the resolution, Council revised the 2018 and 2019 targets to shift \$500,000 to 2018 from 2019. The updated service review targets are shown below:

**Table 1: Service Review Targets**

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

Furthermore, the City Manager was directed to report annually as to how the savings were achieved.

As reported to the Strategic Priorities and Policy Committee on September 26, 2016, the \$500,000 target for 2016 was achieved. Civic Administration provided further details on the various “tools” being employed through the service review process in a report to the Strategic Priorities and Policy Committee on May 29, 2017. The results of the service review initiatives undertaken to achieve the 2017 target of \$1,000,000 were reported to the Strategic Priorities and Policy Committee on September 18, 2017.

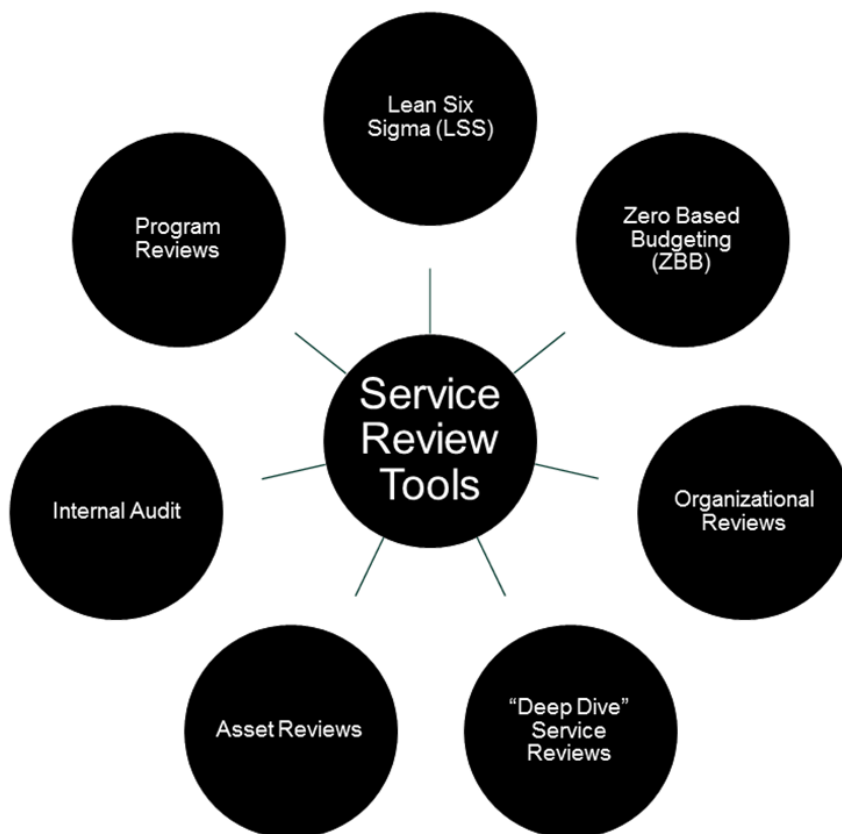
It should be noted that the service review targets are separate from the additional budget reduction Council directed Civic Administration to identify in order to reduce the 2019 tax levy increase from the projected 3.2% increase identified during the 2018 Budget Update process to the 2.9% increase for 2019 originally approved through the 2016-2019 Multi Year Budget.

The purpose of this report is to provide Committee and Council with an update on the Service Review initiatives undertaken to achieve the \$1,500,000 incremental Service Review target for 2018. Brief updates on the status of the “Deep Dive” and Lean Six Sigma initiatives are also provided.

**APPROACH**

Initiatives

Under the direction of the Senior Leadership Team, service areas have employed a number of “tools” to achieve these targets:



Appendix ‘A’ provides a detailed description of each of the service review tools.

## RESULTS

### Update on 2018 Service Review Results

Table 2 outlines a detailed summary of the initiatives undertaken that have resulted in savings to contribute to the 2018 target. As noted below, the \$1,500,000 target for 2018 has been achieved and surpassed.

**Table 2: 2018 Service Review Results**

Category	Initiative	2018 Amount
Zero-based Review	<ul style="list-style-type: none"> <li>Social Services (Ontario Works Program) – Recent staff turnover and retirements necessitated a zero-based review to ensure that budgets were reflective of the current staffing complement. The personnel budget was reconstructed based on the current staffing complement, resulting in the identified savings.</li> </ul>	\$300,000
Zero-based Review	<ul style="list-style-type: none"> <li>Community Centres and Recreation &amp; Leisure Programming – Recent and consistent increases in participation levels in programs necessitated a zero based review to ensure budgets reflected current participation levels and the current expenditure levels required to deliver these services.</li> </ul>	\$250,000
Zero-based Review	<ul style="list-style-type: none"> <li>Fleet – A zero-based review of the expenditures for the fleet program that maintains and replaces corporate vehicles and equipment resulted in a reduction to the internal rental rates charged to service areas utilizing these vehicles and equipment.</li> </ul>	\$215,567
Program Review	<ul style="list-style-type: none"> <li>Review of Community Improvement Plan (CIP) Incentives – As reported to the Planning &amp; Environment Committee on April 24, 2017 (and subsequently endorsed by Council), a comprehensive review of the Corporation’s CIP incentives was undertaken. The approved changes to the incentive programs resulted in ongoing savings estimated to be \$620,000/year, \$420,000 of which was reallocated to other priority incentive programs, with the remaining \$200,000 contributed to the Corporation’s service review target.</li> </ul>	\$200,000
Program Review	<ul style="list-style-type: none"> <li>Recovery of Interim Borrowing Costs – As reported to the Strategic Priorities and Policy Committee on February 12, 2018, interest costs have historically not been charged to the City Services Reserve Funds for the use of the City’s working capital to finance growth capital projects prior to the issuance of debt for those projects. This practice was reviewed and modified beginning in 2018 due to the significant and growing use of this working capital, resulting in the identified contribution to the service review target.</li> </ul>	\$200,000
Zero-based Review	<ul style="list-style-type: none"> <li>Facilities – A zero-based review of the Corporation’s facility maintenance accounts was conducted in order to align budgets with current spending levels.</li> </ul>	\$150,000

Category	Initiative	2018 Amount
Zero-based Review	<ul style="list-style-type: none"> <li>Fire Services – A zero-based review of fuel and utility budgets was completed to ensure budgets were reflective of current fuel and utility usage and rates, resulting in the savings identified.</li> </ul>	\$100,000
Zero-based Review	<ul style="list-style-type: none"> <li>Environmental and Parks Planning - A zero-based review of the Environmental and Parks Planning operating budget was undertaken. The savings identified are attributable to savings in office rent costs resulting from the relocation of this service area from 383 Richmond Street to the City-owned 267 Dundas Street.</li> </ul>	\$80,000
Zero-based Review	<ul style="list-style-type: none"> <li>Finance – A zero-based review of the Financial and Business Services operating budget was undertaken. The resulting savings are primarily attributable to budgets that were previously required to support the implementation of the Province's new Social Assistance Management System, which are no longer required as the system has stabilized.</li> </ul>	\$30,000
Flow-through	<ul style="list-style-type: none"> <li>Incremental savings from initiatives identified in the 2016 and 2017 service review results, which have an additional savings in 2018.</li> </ul>	\$2,000
<b>Total 2018 Savings:</b>		<b>\$1,527,567</b>
<b>2018 Service Review Target:</b>		<b>\$1,500,000</b>
<b>2018 Excess Savings:</b>		<b>\$27,567</b>
<b>Cumulative 2016-2018 Excess Savings:</b>		<b>\$59,567</b>

Budget adjustments will be made to reflect the above figures and will be incorporated into the approved Multi-Year Budget.

#### Update on “Deep Dive” Service Review Project

Council endorsed the appointment of KPMG LLP as the successful proponent to undertake the Corporation’s “Deep Dive” Service Review initiative on March 27, 2018. Since this appointment, the City’s project team has been working diligently with KPMG to develop and execute the project plan. The project plan consists of five phases:

- 1) Project Planning – April to June 2018
- 2) Service Profiles & Benchmarking – June to September 2018
- 3) Identification & Prioritization of Opportunities – August to November 2018
- 4) Two In-Depth Pilot Reviews – November 2018 to January 2019
- 5) Validation and Final Reporting – January to April 2019

Phase 1 has been completed on schedule, while phases 2 and 3 are currently ongoing. Reports to the Strategic Priorities and Policy Committee are anticipated after the completion of phase 3 (the prioritized list of opportunities identified) and phase 5 (results of the two completed in-depth pilot reviews).

The results of the “Deep Dive” initiative will inform the development of Council’s 2019-2023 Strategic Plan and the 2020-2023 Multi Year Budget.

## Update on Continuous Improvement (Lean Six Sigma) Initiative

Continuous improvement and respect for people are the two pillars of the Lean success. In order to continually deliver over 100 services efficiently and effectively, the City will look to challenge current state processes and provide the highest value of service to our customers. Continuous Improvement is based on a team structure where people from Service Areas work collaboratively to improve the way they identify and eliminate non-value added activities to the customer, streamline processes and ultimately improve the value for the end user.

Continuous Improvement aligns with Council's 2015-19 Strategic Plan vision, mission and values, as well as the strategic area of focus 'Leading in Public Service', and the strategies: 'Innovative and supportive organizational practices' and 'Excellent service delivery'. With a focus on continually adding value for our customers, as well as engaging and empowering our employees, the City of London will be able to develop a culture of continuous improvement that enables us to achieve the vision of '*A leader in commerce, culture, and innovation – our region's connection to the World*'.

The main areas of focus and goals of the Continuous Improvement Road Map are:

- **People:** We will enable our people with knowledge, tools and resources to build and support a culture of continuous improvement.
- **Processes:** We will challenge processes, continually adding value from end to end while delivering better results.
- **Customers:** We will work in partnership and collaboration with our internal and external customers to achieve excellence in service delivery.

The Continuous Improvement Initiative has yielded the following results to date:

### **People:** Building Capacity

- 80 Leaders have completed White Belt training
- 45 Leaders have completed Green Belt training
- 2 Leaders have been certified as Black Belts (1 in progress)
- Facilitated 3 Leader Orientation sessions with 60 attendees

### **Processes:** Improving Service Delivery

- 17 process improvements have been successfully completed
- 20 process improvements are in progress
- Site Plan Control has seen an 18% improvement in consultation and significantly reduced the variation within the Application portion of the process during the Lean Six Sigma Black Belt review

### **Customers:** Partnerships and Collaboration

- Partnered with Agencies, Boards and Commissions during Green Belt training
- Completed 9 collaborative workshops with both internal and external customers during the Site Plan Approval process review
- Community of Practice with neighboring Municipalities

For the remainder of 2018, the priority of the Continuous Improvement Initiative will be on:

- Corporate communication for Continuous Improvement (Q3 2018)
- Sustain and continue to improve processes within Development Services (Q4 2018)
- Complete the remaining 20 process improvements (Q4 2018)

## CONCLUSION

The 2018 Service Review process has achieved the target established by Council as part of the 2016 – 2019 Multi-Year Budget process. The identified savings will be ongoing, providing future benefits and "baseline savings" for next year's target of \$1.0M.

Civic Administration will continue to investigate options for cost savings, using the process and tools identified in this report.

**PREPARED AND RECOMMENDED BY:**

**ANNA LISA BARBON, CPA, CGA  
MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF  
FINANCIAL OFFICER**

**REVIEWED AND RECOMMENDED BY:**

**MARTIN HAYWARD, CPA, CGA  
CITY MANAGER**

cc: Ian Collins, Director, Financial Services  
Kyle Murray, Senior Financial Business Administrator  
John Millson, Senior Financial Business Administrator

## Appendix 'A': Service Review Tools

Service Review Tool	Description	Purpose
Lean Six Sigma	<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.<sup>1</sup></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>	<p>LSS identifies and eliminates unnecessary steps, streamlines processes and ultimately improves value for the end users (our customers).</p> <p>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'.</p>
Internal Audit	<p>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.<sup>2</sup></p>	<p>Assist the Administration, Audit Committee and Council in fulfilling their oversight responsibilities.</p> <p>Provide independent, objective audit and advisory services designed to add value and improve the effectiveness of the City's control, compliance and governance processes.</p>
Zero-based Budgeting	<p>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.</p>	<p>Identification of the necessary resources to deliver the unit's objectives/outcomes asking the following questions:</p> <ul style="list-style-type: none"> <li>• Is the program/service effective? – Are we doing the right thing? Is the service achieving the objectives desired by Council or the Administration?</li> <li>• 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?</li> </ul> <p>Avoids an "incremental increase" budget approach.</p> <p>Identify opportunities to reallocate budget to higher priority corporate initiatives (i.e. Service Review Targets).</p>

<sup>1</sup> As defined by the Lean Enterprise Institute.

<sup>2</sup> As defined by the Institute of Internal Auditors.

Service Review Tool	Description	Purpose
Program Reviews	Program Reviews refers to the detailed analysis of existing programs (e.g., grants, loans, revenue streams) provided and/or delivered by the Corporation.	<p>Determine the alignment of the program being reviewed with the Corporation's Strategic Plan.</p> <p>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.</p>
Organizational Reviews	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.	<p>Reform and refine our structure to ensure it aligns and supports Council's Strategic Plan</p> <p>Instil clarity of focus and accountability by clearly defining roles and responsibilities</p> <p>Eliminate duplication and confusion in service delivery including examining forms of alternate service delivery</p> <p>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</p> <p>Ensure both internal and external models for delivering services are aligned and mutually supportive with clearly defined roles</p>
Asset Reviews	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.	<p>Create a Council policy to inform the allocation of proceeds from the sale of a major asset</p> <p>Establish a timeline for future reviews of City-owned assets</p> <p>Review two categories of assets:</p> <ul style="list-style-type: none"> <li>• Class A (Vacant Land and Buildings)</li> <li>• Class C (Major Venues, Non-Core Services and Assets)</li> </ul>
"Deep Dive" Reviews	"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.	<p>Comprehensive review of City of London services to examine the following:</p> <ul style="list-style-type: none"> <li>• Levels of service and possible service level adjustments</li> <li>• Alternative service delivery opportunities</li> <li>• Potential service reductions or eliminations</li> </ul>