TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF SEPTEMBER 30, 2019
FROM:	MARTIN HAYWARD CITY MANAGER AND ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	SERVICE REVIEW INITIATIVES 2019 UPDATE

RECOMMENDATION

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.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- "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
- "Service Review Initiatives 2018 Update," Strategic Priorities and Policy Committee, September 17, 2018
- "Review of City Services for Potential Reductions and Eliminations," Strategic Priorities and Policy Committee, July 29, 2019

LINK TO THE STRATEGIC PLAN

Council's 2019-2023 Strategic Plan for the City of London identifies 'Leading in Public Service' as a strategic area of focus. The City of London's service review program is aimed at increasing the efficiency and effectiveness of service delivery through targeted service reviews to ensure Londoners experience exceptional and valued customer service.

PURPOSE OF REPORT

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 approved 2016-2019 Multi-Year 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 and 2018 targets were reported to the Strategic Priorities and Policy Committee on September 18, 2017 and September 17, 2018 respectively.

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 details of these reductions were detailed in Budget Amendment #1 of the 2019 Budget Update process.

The purpose of this report is to provide Committee and Council with an update on the Service Review initiatives undertaken to achieve the $1,000,000 incremental Service Review target for 2019. A brief update on the status of the Continuous Improvement initiative is also provided.

APPROACH

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 2019 Service Review Results

Table 2 outlines a detailed summary of the initiatives undertaken that have resulted in savings to contribute to the 2019 target. As noted below, the $1,000,000 target for 2019 has been achieved and surpassed.

Table 2: 2019 Service Review Results

Category	Initiative	2019 Amount
Zero-based Review	• Social Services (Ontario Works Program) – As part of a 2018 review of the staffing complement, staff turnover and retirements have resulted in additional savings identified for 2019.	$200,000
Zero-based Review	• Fleet Services – A zero-based review of the expenditures for the fleet program that maintains and replaces corporate vehicles and equipment resulted in a 2019 reduction to the internal rental rates charged to service areas utilizing these vehicles and equipment.	$174,802
Organizational Review	• Dearness Home – As a result of a review in 2018, the Administrator position at the Dearness Home was shifted to an internal position from the previous contracted service model.	$250,000
Program Review	• 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. With a year of experience, this practice was re-visited in 2019, resulting in this additional identified contribution to the service review target for 2019.	$100,000
Zero-based Review	• Property Tax Rebates – A zero-based review of the expenditures related to property tax rebates resulted in this reduction. A review of recent expenditures in these accounts was conducted in order to "right size" budgets to current anticipated expenditure levels.	$200,000
Zero-based Review	• Insurance Premiums – Ongoing savings identified in the Corporate Insurance Premium budget largely attributable to favourable premiums from recent renegotiations.	$100,000
Zero-based Review	• Information & Archive Management – As part of a review of the current staffing complement, staff turnover and retirements have resulted in the savings identified.	$10,000
Flow-through	• Incremental savings from initiatives identified in previous service review results, which have an additional savings in 2019.	$5,400
Total 2019 Savings:		**$1,040,202**
2019 Service Review Target:		**$1,000,000**
2019 Excess Savings:		**$40,202**
Cumulative 2016-2019 Excess Savings:		**$99,769**

Budget adjustments have been made to reflect the results of these reviews in the approved Multi-Year Budget.

How does Continuous Improvement (Lean Six Sigma) fit?

Continuous Improvement (Lean Six Sigma) is not included in the Service Review process as it primarily looks at cost avoidance. It is therefore more of the development of an organizational culture rather than a cost cutting exercise.

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 looks 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 add to the customer, streamline processes and ultimately improve the value for the end user.

Continuous Improvement aligns with Council's 2019-23 Strategic Plan vision, mission and values, as well as the outcome "Londoners experience exceptional and valued customer service" and the expected result "Increase efficiency and effectiveness of service delivery" under the "Leading in Public Service" strategic area of focus. With a focus on continually adding value to 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

- 277 Employees have completed White Belt training
- 45 Leaders have completed Green Belt training
- 2 Leaders have been certified as Black Belts (1 in progress)
- Facilitated 6 Leader Orientation sessions with approximately 80 attendees
- Implemented Leader Huddles within 3 Service Areas

Processes: Improving Service Delivery

- 76 Service Area improvements have been successfully completed
  - 52 Continuous Improvement Tickets
  - 21 Green Belt Improvements
  - 3 Rapid Improvement Events
- 11 Service Area improvements are in progress

Customers: Partnerships and Collaboration

- Partnered with agencies, boards and commissions during White and Green Belt training
- Completed 20 workshops with 140 participants aligned with Service Area improvements
- Collaborating with a Community of Practice with neighbouring municipalities

For the remainder of 2019, the priority of the Continuous Improvement Initiative will be on:

- Complete 10 Rapid Improvement Events across all ten Service Areas by Q4 2019
- Collaborate with Agencies, Boards and Commissions on Lean training in 2019

CONCLUSION

The 2019 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" in developing the 2020 – 2023 Multi-Year Budget.

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: Kyle Murray, Director, Financial Planning & Business Support
        Bryan Baar, Senior Financial Business Administrator
        John Millson, Senior Financial Business Administrator

Appendix 'A': Service Review Tools

Service Review Tool	Description	Purpose
Internal Audit	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.[1]	Assist Civic Administration, Audit Committee and Council in fulfilling their oversight responsibilities. Provide independent, objective audit and advisory services designed to add value and improve the effectiveness of the City's control, compliance and governance processes.
Zero-based Budgeting	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.	Identification of the necessary resources to deliver the unit's objectives/outcomes asking the following questions: • 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).
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.	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.

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1 As defined by the Institute of Internal Auditors.

Appendix 'A': Service Review Tools

Service Review Tool	Description	Purpose
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.	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
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.	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: • Class A (Vacant Land and Buildings) • Class C (Major Venues, Non-Core Services and Assets)
"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.	Comprehensive review of City of London services to examine the following: • Levels of service and possible service level adjustments • Alternative service delivery opportunities • Potential service reductions or eliminations