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Item No. 12.2
Audit & Finance Standing Committee
February 20, 2015

TO: Chair and Members of Audit & Finance Standing Committee

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SUBMITTED BY:

Richard Butts, Chief Administrative Officer

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Catherine Mullally, Director, Human Resources

DATE: 20 January 2015

SUBJECT: Service Improvement Reserve Withdrawal

ORIGIN

As a part of the Business Plan for 2013-14, Human Resources committed to conduct an organizational review with the goal of improving the quality and efficiency of HR service delivery. A key component of this initiative is to design the HR structure, vision, functions, systems and processes against leading practice so that we are prepared and adaptable to meet current and future business needs. This initiative was completed in April 2014.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Council approved, Dec 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend to Halifax Regional Council to approve an increase to operating account A205 – Human Resources Administration in the amount of \$389,653, including net HST, and that this increased budget is to be funded from a withdrawal from the Service Improvement Reserve (Q310) for the completion of the Human Resources Service Delivery initiative as outlined in the Financial Implications section of this report.

BACKGROUND

In today's business environment, as external and internal pressures to increase productivity mount, organizations are demanding more and more value from their conventional cost centres, including Human Resources. HR has the requirement to not only improve its own performance but also have a sustainable impact on the success of HRM as a whole – “The right people, in the right jobs, doing the right things at the right cost.”

In the spring of 2014, Human Resources conducted an external service review to address the need of HR to transform the way in which services are delivered to HRM's ten diverse business units. The goal was to identify how HR operations could improve the quality, efficiency and sustainability of service delivery. Initial steps were taken to conceptualize and develop a future state delivery model, provide recommendations specific to HR's mandate and role, identify core programs/services, and craft a high level organizational design to support the future state vision.

The result of the assessment of HR's current organizational state, informed the development of a future state delivery model (SDM) and a high level organizational structure. A comprehensive roadmap was developed to enable HR to begin work to actualize the transformation over a proposed 36 month time horizon. To support the successful implementation, five work streams were created including project management, organizational design/workforce transition, process enhancement/governance, tech/data management and culture and change management.

Human Resources now has a requirement to secure project management skills to support the implementation of a new service delivery model.

DISCUSSION

As a result of the work undertaken in April 2014, HR has recommended to the CAO that we move to a “Centres of Expertise” service delivery model. The model has three key elements: (Attachment 1)

- | | |
|------------------------|--|
| Business Partners - | Collaborate with Business Units on workforce strategy and implementation – Help Business leaders understand and address the people implications of business decisions – Ensure that BU strategies are supported with HR programs and services to meet business needs, provide coaching and advice. |
| Shared Services - | Manage day to day HR service delivery directly to employees and managers with technology integration. |
| Centres of Expertise - | Focus on the design of HR policy, programs and organizational effectiveness – areas of expertise based on business priorities eg: talent management, learning & development, workforce planning, employee engagement, succession planning. |

Key Benefits of HR Transformation

There are a number of business reasons that support a change in the way that HR is currently providing services:

1. Increase value-added HR functions that are aligned with business needs - Developing talent management and human capital management strategies that drive business success.
2. Improve or streamline HR operations. Increase scalability and flexibility of operational support to better align with corporate strategy/business needs.

3. Improve the employee/manager experience – Employees and managers are able to better access HR solutions and information with the establishment of a shared services centre and the integration of technology.
4. Improve compliance and reporting capabilities.
5. Drive process efficiency to better align with business needs.
6. Drive corporate cultural change/employee engagement to improve productivity and capability.
7. Improvement on workforce reporting – benchmarks /analytics and performance measurement.
8. Corporate Cost Containment - The impact of the provision of high value HR services can be seen in the alignment of HR resources with corporate priorities such as pension reform, restructuring of benefit plans, collective bargaining, workforce planning and organizational effectiveness.

The business case for the Service Improvement Reserve states that it “will be used to provide loans or withdrawals for business redesign projects that improve HRM's business processes and for which seed capital is required. Eligible projects must demonstrate anticipated down-stream service improvement benefits that will result from reworking processes and activities.” On that basis, this project qualifies for funding from this reserve. The funding requested would be a withdrawal and not a loan and is therefore not repayable.

FINANCIAL IMPLICATIONS

Per the requirements of the RFP, the proposal offers a phased approach as follows:

	# of Work Weeks	Cost not including Net HST	Net HST	Total including net HST
Phase 1	6 weeks	\$103,837.08	\$ 4,450.46	\$108,287.54
Phase 2	16 weeks	\$235,177.44	\$10,079.71	\$245,257.15
Phase 3	12 weeks	\$130,514.32	\$ 5,593.97	\$136,108.29
Total	34 weeks	\$469,528.84	\$20,124.14	\$489,652.98

Human Resources received approval from the CAO for up to \$100,000.00 to fund the implementation of the HR Service Review results referenced in the above table as Phase 1. The funds have been achieved through vacancy management.

It is recommended that Halifax Regional Council approve the increase to operating account A205 of \$389,653, to complete the project and the funding be secured from the Service Improvement Reserve. Each phase will be evaluated before entering into the next phase of the project to validate requirements and ensure best value for taxpayer dollars.

Based on the cost of \$469,528.84 plus net HST of \$20,124.14 for a total of \$489,652.98, funding is available as follows. The budget availability has been confirmed by Finance.

Budget Summary:

Operating Account # A205 - 6399

Unspent Budget	\$ 100,000
Increase from Service Improvement Reserve (Q310)	\$ 389,653
Less: RFP # P14-070R	\$ 489,653
Balance	\$ 0

Service Improvement Reserve, Q310

Projected available balance at March 31, 2015	\$1,662,391
Proposed withdrawal per recommendation	\$ (389,653)

\$1,272,738

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

1. Audit and Finance Committee can choose not to approve the reserve withdrawal.
2. Audit and Finance Committee can choose to approve a portion of the reserve withdrawal.
3. Audit and Finance Committee could recommend and approve an alternative funding source for all or a portion of the requested amount.

ATTACHMENTS

- ## 1. HR Service Review Key Findings & Recommendations

A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Catherine Mullally, Director, Human Resources 902.490.7239

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Report Approved by:

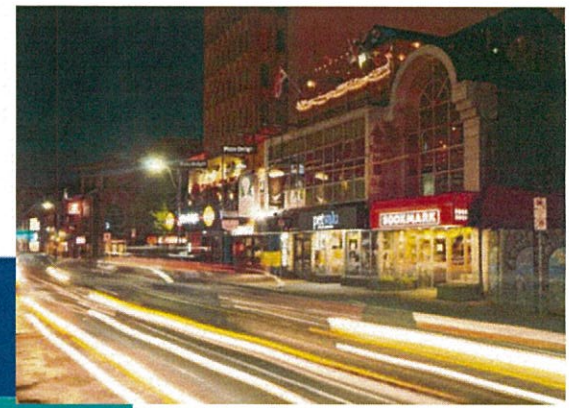
Richard Butts, Chief Administrative Officer 902.490.6430

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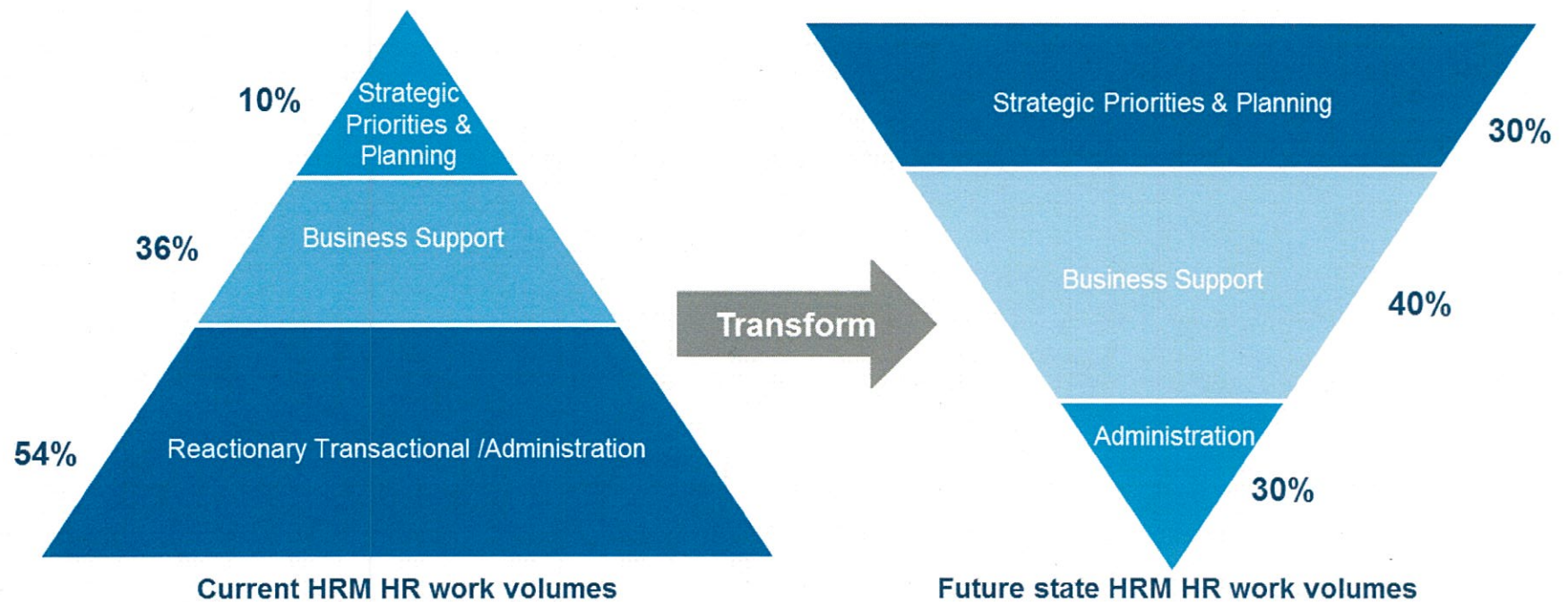
Financial Approval by:

For Greg Keefe, Director of Finance & ICT/CFO, 902.490.6308

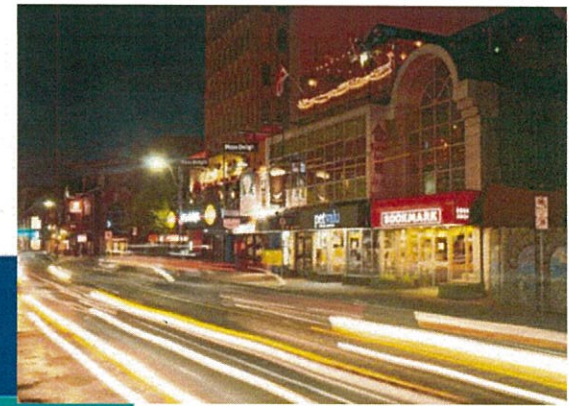
Key Finding



WHAT did the review tell us? **WHAT** is our future state vision?

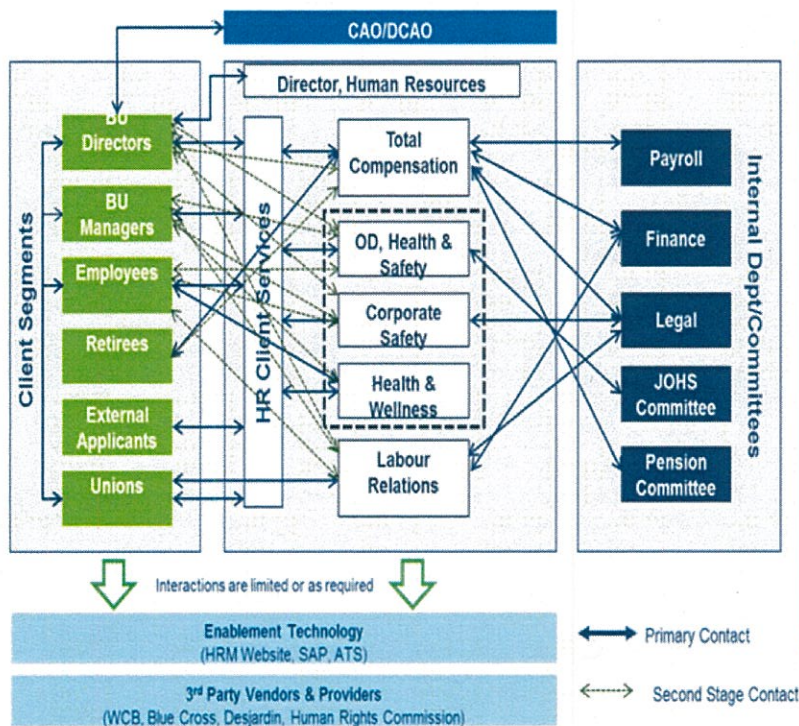


Future-State HR Model



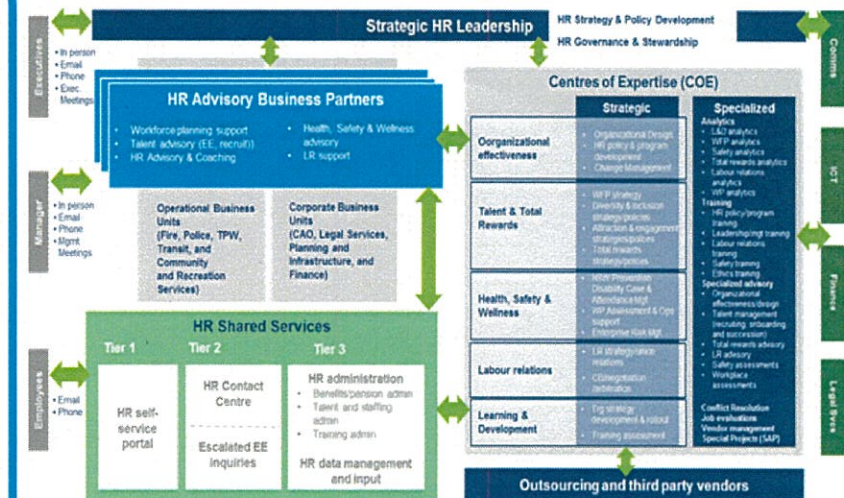
WHAT does the shift from the current to future state look like?

Current State



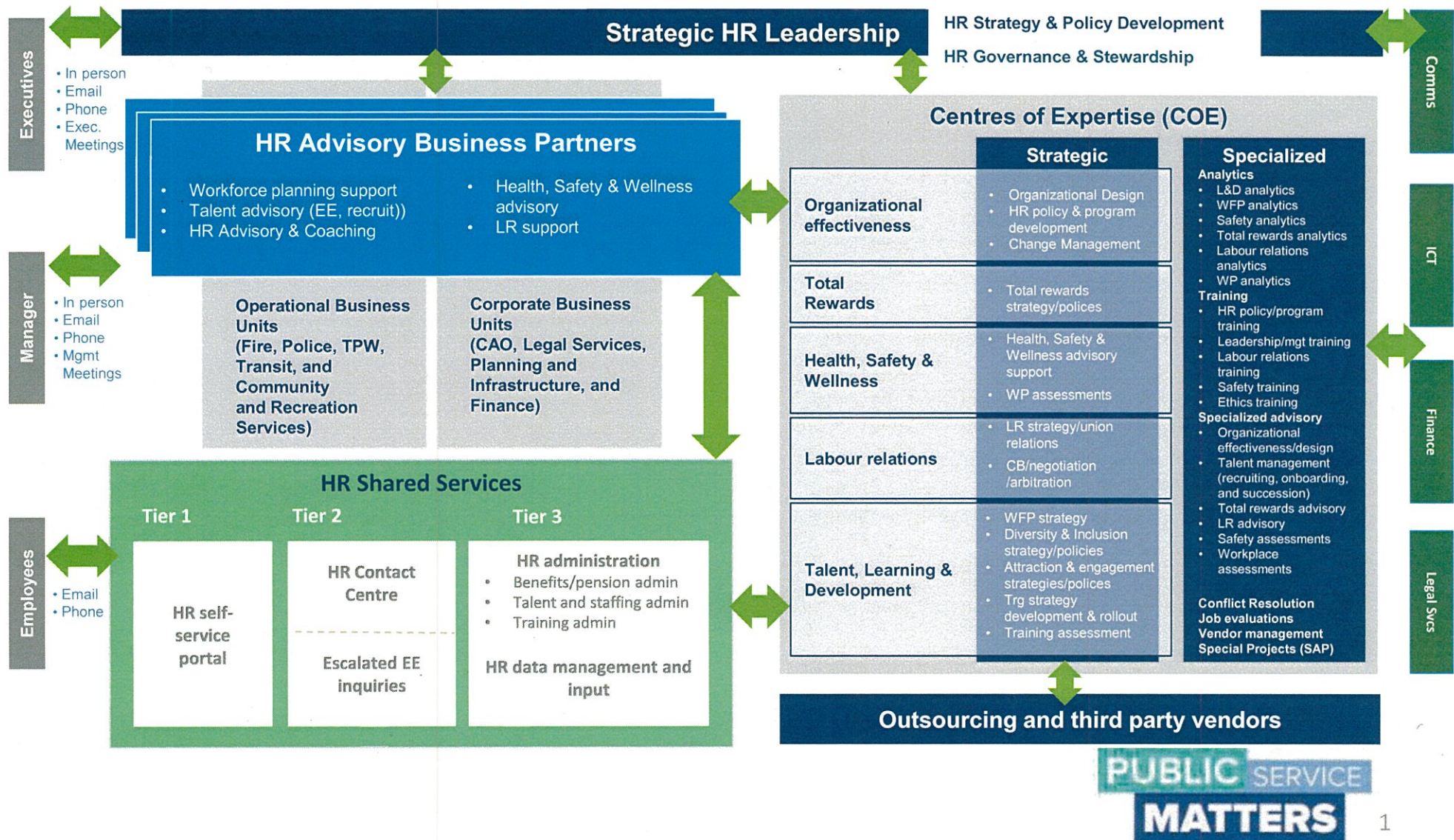
Staged Implementation

Proposed Future State

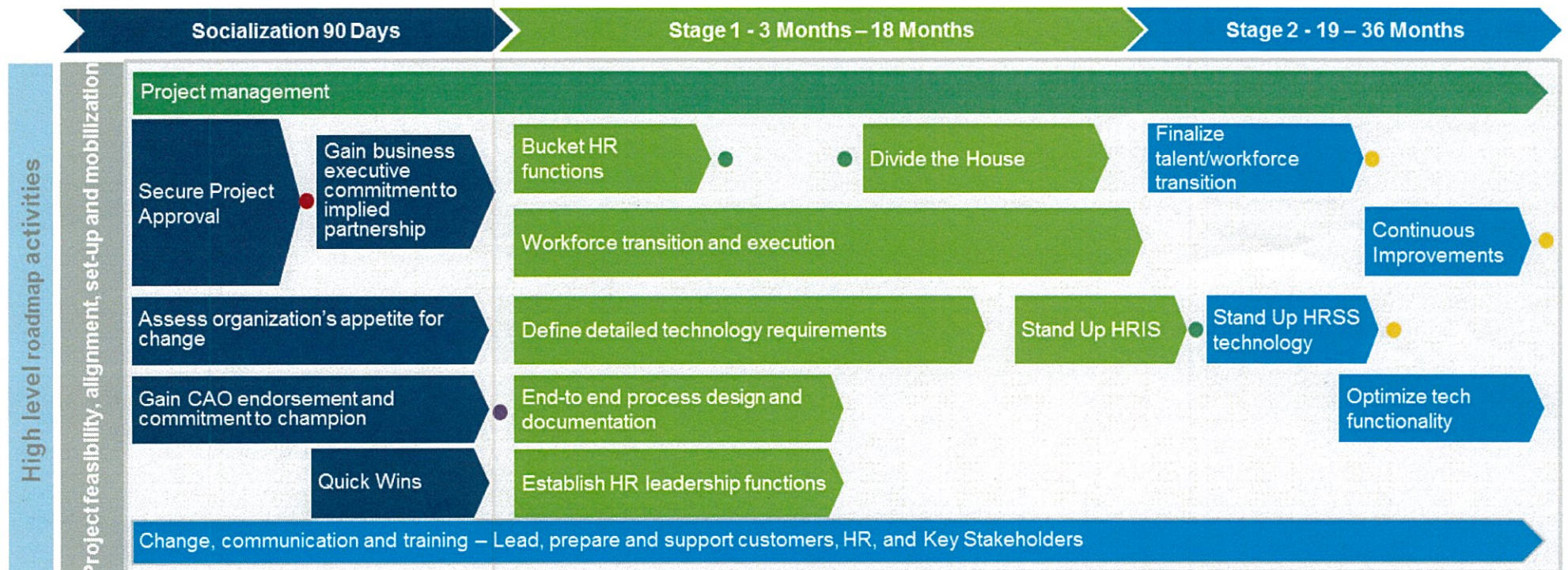


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Future State Service Delivery Model



High Level Implementation Roadmap



Project approval ●

- Feasibility complete
- Leaders aligned
- Budget secured
- Technology strategy in place

Project launch ●

- PMO operational
- Communications to HRM sent
- Project Charter developed

Soft Launch SDM ●

- Deep dive on current HR activities to align to SDM
- Identify critical positions, transition positions and high performers through workforce transition
- Process design underway and with core process and hand-offs identified to support operating model

Core Workforce Est. ●

- Critical positions staffed
- Core HR processes fully mapped and in place
- All core HR functions stood up

HRIS Go Live ●

- Selected modules activated
- EE data inputted
- Full HR access and functionality

HRSS Go Live ●

- EE portal open
- Contact centre active
- Escalation points & scripts in place

Optimize ●

- Ongoing enhancements and improvements

Full Workforce Est. ●

- Remaining talent transitions complete
- Remaining or net new HR services stood up
- All processed mapped and in place

Recommended Organizational Structure

