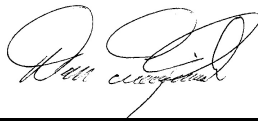


Item No. 4

**Halifax Regional Council
June 23, 2009
Committee of the Whole**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
and Strategy

DATE: June 15, 2009

SUBJECT: Service Review Process

ORIGIN

Since the Program and Service Review Committee was disbanded, members of Regional Council have expressed an interest in a formal mechanism to review services.

Included in the recently approved 09/10 Business Plan are the following two deliverables under the EMT Priority of Fiscal Responsibility:

- Develop a service review process and identify opportunities for operational efficiencies.
- Develop a policy to ensure appropriate service fees and fines are established and maintained.

RECOMMENDATION

It is recommended that Regional Council approve the Service Review process and authorize staff to proceed as per the draft schedule as outlined in Attachment A of this report.

BACKGROUND

At the January 17, 2006 meeting of Regional Council, on the advice of the Program and Service Review Committee and the Membership Selection Committee, the Program and Service Review Committee was formally disbanded. Rational for disbanding the Program and Service Review Committee included the position that consideration of service delivery adjustments is the business of Regional Council, therefore a subcommittee was not the most effective way to address a review of programs and services. Since that time, all former functions of the Program and Service Review Committee have been undertaken by Regional Council.

Service adjustment considerations have been generally undertaken based on public demand, initiated by staff, Council, community, or addressed as part of the budget and business planning process. Staff continue to review and adjust services at the operational level in an effort to minimize costs and improve service delivery, however there is currently no corporate approach to service review at a strategic level.

Services vs. Programs

The two terms, service and program are often used interchangeably, causing confusion and miscommunication. In an effort to provide greater clarity, HRM Senior Management has adopted standard terminology to be used when referring to programs and services.

A Program is a collection of services, activities, processes, and projects with a longer term desired outcome to either increase, decrease, or maintain something for a target group.

A Service is a collection of processes and activities most easily identified by its direct output to a client or client group. It is at this level that the proposed service review process will focus, not so high that results can't be achieved quickly, but not too low to have an appreciable strategic impact.

Staff believe that the proposed service review process is at the right level for the organization at this time. Services can be more easily adjusted than overall programs, and staff are confident that HRM's programs are currently well aligned with Community Outcomes and Council Focus Areas. Any recommended service adjustments would be done in the context of overall program outcomes.

Timing

There are several factors affecting the timing of initiating a Service Review process:

- revised Council Focus Areas;
- the current economic climate;
- service pressures;
- the necessary background work has been done; and
- HRM's Budget and Business Planning cycle.

In order to enable success in the new Council Focus Areas, a review of services will help ensure appropriate alignment and priority of service with Council's intended outcomes.

Regional Council has recently approved a budget for 09/10, which maintains the tax rate with modest service increases in select areas of importance to the community. Based on the economic outlook and financial forecasts it is likely that next year's budget will be more challenging. There remains a degree of risk and uncertainty around changes at the Provincial level, and the Provincial government's financial capacity and how those factors may affect HRM financially.

There is an ever present demand for increased services. In today's climate, opportunities to secure additional resources are rare, therefore we must explore ways to reduce these pressures on the operating budget and create capacity within existing resources.

This past year, staff undertook extensive background work to define and catalogue HRM's Services. This work is now complete and ready for a formal review process.

In order to have any tangible affect on next year's budget, the work must start now. Once Service Review recommendations are brought forward, staff will be seeking authorization to take action. That action will have to commence months before a budget is approved in order to realize the true savings in 10/11. It typically costs money initially to re-align or re-deploy resources, so if possible those costs should be absorbed in the current year's budget, providing for full realization of savings the following year.

The Service Review process is being recommended as a part of HRM's continuous improvement efforts. In addition, the tools and process that result will better position staff to respond to the possibility of service related recommendations by a Municipal Auditor General.

DISCUSSION

Why initiate a Service Review Process?

A formal service review process provides an organization with a mechanism to regularly explore whether or not the services being delivered remain relevant and aligned with organizational mandate, goals, and objectives. In addition to ensuring appropriate alignment, a regular review process offers an opportunity to take a fresh look at service delivery options and ask some fundamental questions; Is this the most effective service delivery model? Is it cost effective? Is it relevant? How does it rank in terms of priority with other services? Are there service delivery risks? Are there opportunities to partner with other service providers either internal or external? Are funding sources appropriate? Is the service contributing to the intended outcomes? etc.

Currently in HRM, adjustments to services are often viewed in isolation at the operational level, in response to budget constraints and/or changing service demands. There remains a need for a formal mechanism for Council to review services at a strategic level in order to make informed, effective decisions that will ensure services delivered are aligned with Council's intended outcomes and strategic areas of focus.

The primary benefits of a service review process include:

- improved services aligned with priorities;
- meeting new or increased demand from citizens for services;
- maintain existing service levels in the face of competing priorities or decreasing revenues;
- better able to react to adjusting priorities;
- reduce costs; and
- improve revenues.

In some organizations budgeting involves any combination of managing spending through across-the-board percentage cuts to all services, deferring capital projects, increasing taxes and user fees, or dipping into reserves.

In recent years HRM has been more thoughtful in implementing strategies to balance the operating budget. It is still generally assumed however, that a reduction in the budget would result in a comparable reduction in services. This is not necessarily the case. The proposed service review process focuses on aligning services with priorities and where possible, reducing the cost of delivery while maintaining or improving services and service levels. It's all about making informed, strategic choices aimed at achieving outcomes.

What is a Service Review?

The proposed service review process is not a project, but an ongoing process that supports HRM's efforts to create capacity, measure service efficiency and effectiveness, and adjust services to meet the changing needs of the community.

The proposed service review process is an evaluation process in which specific municipal services are selected and systematically reviewed and analysed to determine the most appropriate way to deliver them.

Service review involves asking ten questions about service improvements and expenditure management:

1. Do we really need to be in this business/service?
2. What outcomes does council/the community want for the service?
3. How does current performance compare to expected performance?
4. Do the activities logically lead to the expected outcomes?
5. How is demand for the service being managed?
6. What are the full costs and benefits of the service?
7. How can benefits and outputs of the service be increased?
8. How can the number and cost of inputs be decreased?
9. What are the alternative ways of delivering the service?
10. How can a service change best be managed, implemented and communicated?

Answering these questions requires extensive analysis and consultation with stakeholders, including staff and Council to ensure that the choices made are informed by the goals and values that are important to the organization.

Roles and Responsibilities

Under the proposed process, the Corporate Planning Office will coordinate all of the service review activities, including:

- Council's selection of the services to be reviewed;
- Developing tools and processes to assist Business Units in collecting the necessary service information;
- Analysing the service information;
- Collaborating with service owners on the development of options;
- Supporting Operational Business Unit recommendations and alternatives to Council for consideration.

The role of Finance will be to:

- Develop the general template and methodologies for financial analysis;
- Determine the financial analysis approach;

Note: Each service being reviewed may require a different type and approach to financial analysis.

- Conduct the financial analysis in collaboration with business unit and corporate planning office staff;
- Be accountable for accuracy, adequacy, completeness, and quality of financial information presented to Council for decision making;
- Review financial analysis results and ensure the consistent application of methodologies.

The role of Operational Business Units will be to:

- Collaborate in the data collection and analysis activities;
- Collaborate on the development of options;
- Lead the presentation of options and alternatives to Council;
- Implement changes as authorized by Council.

In general, Council's role respecting service delivery is:

- to represent the public and to consider the well-being and interests of the municipality;
- to develop and evaluate the policies and programs of the municipality;
- to determine which services the municipality provides;
- to ensure that administrative practices and procedures are in place to implement the decisions of council; and
- to maintain the financial integrity of the municipality;

Under the proposed Service Review process, Regional Council will be expected to:

- Confirm or adjust the proposed process and schedule;
- Select the Services to be reviewed first;
- Authorize staff to make service adjustments as deemed necessary throughout the process.

During the review process, council will be called upon to make choices – what to deliver, what outcomes the municipality expects from its services, who should pay for them, whether and what citizens should pay for certain services, whether a service could be provided at a lower cost, whether

all the things that go into delivering a service are really necessary, and who should deliver which services. Even the decision not to review a service is a choice.

How will Service Review be done?

Staff have undertaken best practices research in an effort to develop a service review process that will best meet HRM's needs. Several educational, provincial, and municipal review processes were researched. Of those researched many are very mature, with tools, templates and forms that are very specific to the organization they serve. Aside from the tools used however, the general processes remain substantially the same across all organizations: Compile, Select, Analyse, Model, Decide, and Implement. It is this general process that staff is proposing.

The proposed service review approach offers a flexible framework that can be used in a variety of ways. Council will want to consider the scale, scope and strategic importance of the service in question. Larger-scale services may require a more elaborate review, while smaller undertakings can be reviewed using fewer questions.

For example, a quick scan might suggest that a certain service would be delivered more efficiently by better managing demand. This course of action could be followed up straight away while another service may require a more extensive analysis. As well, before undertaking a review of any given service, council or staff may have an intuitive understanding of specific changes that can easily be made and that, if made, would improve delivery. If so (and if council agrees), staff can initiate the changes right away.

The proposed process can be seen as a generic business-case approach to help council make rational and defensible decisions on how services might be provided to optimize efficiency and effectiveness.

Although both the fee/revenue and the service delivery components will follow the same steps as outlined below, the fee and revenue portion is not as time sensitive as the service delivery portion. Fee and revenue adjustments can be made later in the year and still have full impact on the 10/11 fiscal year, while service delivery adjustments should commence much sooner in order to have an impact on the 10/11 budget.

The Proposed Process

Step 1 - Compile List of Services

This includes a list of all the Services Offered and a list of all the Revenues generated by services.

Step 2 - Selection of what to Review

Staff will present the lists to Council with recommendations on which Services and Revenues to review in 09/10.

Step 3 - Detailed Analysis

Staff will collect all the necessary data and analyse the services selected.

Step 4 - Modelling

Staff will develop alternatives to the current service delivery model and make recommendations to Council. This step may occur very quickly for some services, while others may take considerably longer. Either way, staff will return to Council with recommendations on each service as options are developed.

Step 5 - Decide

Council will authorize staff to proceed with selected service adjustments.

Step 6 - Implement

Staff will undertake the necessary work to implement Council's direction.

Summary

In the current economic climate the primary focus of an initial service review will be on reducing the net cost of services through a combination of expenditure reduction and possible revenue increases. This could be done quickly and easily through across the board fee increases or across the board expenditure reductions. That however, may unduly burden services that are well aligned with Council's direction, while allowing those less aligned services to continue to be a drain on corporate resources. There is no better time to take a critical look at what we do and why, than during a time of financial constraint.

Ideally, those services deemed to be less important and/or less effective will be addressed during this period of financial down turn, providing HRM with much needed capacity to weather the storm over the next few years. Under the proposed service review process, Council will have good information on the real "value added" services, as well as those services that are best aligned with Council's intended outcomes and Focus Areas. This information will provide Council with the information necessary to direct adjustments and enhancements to services as the economic climate improves and capacity begins to improve.

BUDGET IMPLICATIONS

There are no direct budget implications to this report.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

Council could create another committee similar to the Program and Service Review Committee to provide oversight and direction to a service review process. This is not recommended since Regional Council's strategic guidance will be critical throughout the process.

Council could direct staff to undertake the entire service review process including the selection of services to be reviewed and determination of alignment and value without direct council

consultation, then return with recommendations once complete. This is not a recommended course of action since a Service Review process requires extensive resources, therefore regular engagement with Council will minimize potential wasted staff effort and provide for Council's advice and direction to ensure alignment with priorities and agreement on direction.

ATTACHMENTS

Attachment A - Proposed Service Review Process and Draft Schedule for 09/10

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Proposed Service Review Process

