



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 3
Halifax Regional Council
July 7, 2009
Committee of the Whole
August 11, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script that reads "Wayne Anstey".

Wayne Anstey, Acting Chief Administrative Officer

A handwritten signature in cursive script that reads "Cathie O'Toole".

Cathie O'Toole, Acting Deputy Chief Administrative Officer - Corporate Services and Strategy

DATE: July 2, 2009

SUBJECT: Service Review

ORIGIN

On June 23, 2009 Regional Council authorized staff to proceed with the recommended Service Review process and return to Council with recommendations on which services to review first.

RECOMMENDATION

It is recommended that Regional Council authorize staff to commence review of the following services:

- Visitor Information Centres
- Burial Services - Plot Provision and Internment
- Water Quality Sampling
- Marketing Services - Publications

BACKGROUND

On June 23rd staff provided an overview of the benefits of a service review along with a breakdown of staff and Council's roles.

Primary Benefits

- 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.

Council's Role

Under the proposed Service Review process, Regional Council agreed to:

- Confirm or adjust the proposed process and schedule;
- Select the Services to be reviewed first;
- Determine the level of review required for each service;
- Authorize staff to make service adjustments as deemed necessary throughout the process.

Service Catalogue

In the spring of 2008 Executive and Senior Management approved formal definitions of programs and services in an effort to provide clarity throughout the organization. This clarity of terminology set the stage to compile a comprehensive listing of all the services offered by HRM in a consistent format. This Service Catalogue is intended to be a living document, as it will continue to be refined and provide more detail as information is gathered about each service.

The longer term goal is to compile and maintain additional information related to our services. The Service Review process will create tools and establish processes to obtain and record information such as costs, performance measures, client groups, program linkages, etc.

Although this report makes recommendations on which services to review first, it is staff's view that all services will ultimately be reviewed, providing valuable information for ongoing decision making. The key question today is "Where should we start?"

DISCUSSION

Best practice suggests that there are many different reasons to select a service for review. The following are some of those reasons.

Services that:

- are consistently over budget;
- are the target of an inordinate number of complaints from citizens;
- show significant potential for cost savings or other improvements;
- are experiencing unsustainable growth in costs related to labour, energy, materials or other inputs;
- are unable to meet demand or rising citizen expectations about greater choice or better

- service or accessibility (for example, extended service hours);
- are unable to meet or exceed quality or consistency targets;
- require significant changes to meet industry, professional or legislative standards;
- are subject to significant or increasing risks (financial, environmental, economic, public policy);
- could be delivered by another provider that has indicated a capacity and willingness to take over delivery;
- are consistently underperforming relative to those of other similar municipalities;
- have experienced or are about to experience significant budget or personnel changes that threaten effective delivery;
- have difficulty attracting or retaining staff;
- are new to the municipality;
- are experiencing decreasing revenues.

Capacity Building vs. Pressure Points

All of the factors to be considered when determining which services to review can be grouped into two general categories:

- “Capacity building” - services where there appear to be opportunities to create efficiencies, cost savings, or resource alignment capacity.
- “Pressure points” - services where demand exceeds capacity to deliver, expectations are higher than service standards or performance, etc.

Because of the current financial climate, as discussed during 09/10 budget discussions, HRM is going to face some financial challenges over the next 2 - 3 fiscal years. Some specific examples of budget impacts from the economic recession are the reduction in revenues from lower interest earnings, lower demand for recyclables, and decreased deed transfer taxes.

Given the current financial climate, it is staff’s recommendation to focus on “capacity building” reviews first, those services where there is potential for savings and/or operational efficiencies. Savings could then be re-directed to other areas, potentially those “pressure points” where service delivery may not be meeting expectations or to mitigate other operating budget risks.

This is a new process, therefore staff (and Council) will face a steep learning curve as we proceed to develop tools and processes that are sustainable and repeatable. The list of services in the staff recommendation are services that the business owners have all identified as candidates that could benefit from a review. This will make the first phase of service review smoother as tools and processes are created along the way. It is anticipated that once the review process matures staff will be better able to manage a larger number and more complex reviews at one time.

The risk in focussing on “pressure point” services at this time is that the results could identify areas where additional resources may be required to enhance services without addressing those services that could ultimately create the necessary additional capacity.

During the June 23rd discussion at COW it became apparent that a significant “pressure point” for Council is Snow and Ice Control. Over the past several years Snow and Ice Control has undergone several audits and reviews, most recently the Covenco Report in 2008. Many of the recommendations of that report have been completed with plans to continue further implementation. Transportation and Public Works staff continue to dialogue with council on balancing public expectations with the inherent service delivery challenges of snow and ice removal within the constraints of the operating budget. Given the past work and ongoing engagement between TPW and Council, there would be little gained by including Snow and Ice Control in a formal service review process at this time.

The following are the services that staff is recommending to be reviewed this year, along with the rationale for selecting these services at this time:

Visitor Information Centres

The Visitor Information Centres is a non-mandated service with a very low client base and no direct linkage to Community outcomes or Council Focus Areas.

Burial Services - Plot Provision and Internment

Burial Services is a non-mandated service with no direct linkage to Community outcomes or Council Focus Areas.

Water Quality Sampling

Water Quality Sampling is a non-mandated service and is experiencing some challenges around communication and interpretation of test results. This has resulted in some confusion by the public. A review is recommended to ensure that all water quality testing is integrated, well understood, and communicated appropriately.

Marketing Services - Publications

Currently print publications are produced in various forms by different business units. Governance & Communications is one of Council’s Focus Areas. The corporate publications review could benefit from a formal service review to better quantify and evaluate HRM’s printed marketing material and/or some economies of scale.

In addition to the rationale specific to each service recommended for review, staff feel that this first list of services includes a good mix of Business Unit engagement to enable the development of tools and processes to support the longer term service review process. Although this has not been referred to as a “pilot”, it is a new process so staff recommend a measured approach to this initial engagement.

Once the list of services selected for review has been endorsed by Council, the level of review will need to be determined. Some services will require far more extensive analysis than others. The following is a description of the review activities that staff will undertake for each service selected.

Service Review Activities that will be undertaken:

- Contribution to Program/Community Outcomes and Council Focus Areas;
Tools will be developed to gauge the impact a service has on organizational objectives.

- Identification of client/beneficiary (Who receives the Service);
Each service has a target client. This will be documented to provide clarity on what HRM does to serve various clients or client groups.

- Service Standard Evaluation;
Service Standards will be documented, reviewed, and confirmed.

- Performance Measures;
Measures will be reviewed and/or created to ensure the right information is being collected and reported.

- Linkages and/or dependencies and relationships with other services;
All Service linkages will be documented to prevent negative impacts on collateral services and or identify potential synergies between services.

- Impact of decrease or increase in service;
Tools to model the affect of potential adjustments to services on the clients as well as overall program objectives.

- Stakeholder Consultation;
Methods of client and stakeholder consultation will be documented and undertaken. There is currently extensive work around these consultative processes so business owners will leverage existing mechanisms wherever possible. These include everything from Council feedback, public meetings, surveys, client groups, etc.

- Financial Analysis;
The depth of financial analysis will depend on the nature of the service being considered. The following is a description of the various considerations:

Direct Costs - those can be directly traced to the service being delivered by a department. Also referred to as variable costs as they increase or decrease with a change in output. Examples include Material and Labour (of line employees) costs .

Indirect/Overhead costs - those where there is no direct link to the service of a department but are incurred to support the department. Some of them can be variable (Supplies, Repairs & Maintenance) but most are fixed and do not change with an increase/decrease in activity (Salaries of Managers, Utilities, Rent).

Administration Costs - those that occur outside of the service department. Examples include HR, IT, Depreciation, etc

Full Costing is the exercise of allocating Indirect/Overhead costs and Administration Costs to the cost of a service using an allocation basis that best captures the driver of the cost. (ie. HR costs being allocated by number of employees).

Activity Based Costing is a model used to allocate all costs (direct, indirect/overhead, and admin) to a service based on the specific activities of the cost being allocated. Most costs are difficult to assign when they cannot be traced directly to a service. With ABC the total HR costs would be allocated based on the activities in the HR dept (ie. recruitment, training & development, etc). Coopers Lybrand did a preliminary study on ABC for HRM in 1997. One of the results of that study, was the false alarm charge. Generally ABC is useful in areas where there are high fixed costs that need to be allocated, and to support capacity planning. It can be complex and expensive to administer and operate (e.g., software, data issues). ABC requires substantial resources to set up and maintain the model. Staff does not recommend this as an option for financial analysis as there would be no value relative to the amount of time and effort required, however service review may reveal some specific areas where the benefits of implementing it would outweigh the costs.

BUDGET IMPLICATIONS

The approved Operating Budget is sufficient to cover the costs of the Service Review Process.

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 select different services for this first phase of Service Review, including "pressure points", however given current staff capacity other services would have to be removed from the list. Staff does not recommend any "pressure point" services at this time since the economic outlook suggests "capacity building" should be the first priority.

ATTACHMENTS

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.

Report Prepared by: Ed Thornhill, Manager - Service Transformation, Corporate Planning Office, 490-4480



Report Approved by: Brad Anguish, Director - Business Planning and Information Management, 490-4769



Report Approved by: _____
Cathie O'Toole, Director of Finance/CFO 490-6308