



STAFF REPORT ACTION REQUIRED

12.

Results of City's Shared Services Study

Date:	May 27, 2013
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to present to the Toronto Public Library Board the City Manager's report to the May 28, 2013 meeting of Executive Committee, entitled *Results of the Shared Services Study – City Agencies*. The City Manager's report contains recommendations to City Council to implement eighteen (18) opportunities for shared services at the City of Toronto and six (6) large agencies, including Toronto Public Library (TPL).

This report reviews the recommendations in the City Manager's report that have a significant impact for TPL. The report also discusses the importance to the Library of the following principles regarding shared services: recognition of the authority and governance of the Board; cost neutrality; and the Library's participation in the planning and implementation of shared services.

The City Manager's report to Executive Committee, with appendices, is attached to this report for reference.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. endorses the following principles for the Library's participation in shared services initiatives:
 - i. that Board governance and authority be recognized;
 - ii. that implementation of shared services programs be cost neutral to the Board and provide a return on investment;
 - iii. that Toronto Public Library have on-going participation in the planning and implementation of applicable shared services programs and there be on-going reporting back to the Board; and
 - iv. that consideration be given in the planning and implementation process to potential labour relations issues.

FINANCIAL IMPACT

There is no financial impact to the 2013 operating budget arising from this report.

The Director, Finance and Treasurer has reviewed this financial impact statement and is in agreement with it.

DECISION HISTORY

The Shared Services Study was conducted by the City Manager at the request of City Council. The City Manager's report (see Attachment 1, page 4) provides the decision history for this initiative at the City of Toronto.

BACKGROUND INFORMATION

The City Manager wrote to the City Librarian in June 2012, to advise that City Council had directed the City Manager to undertake a study to examine the opportunities to increase shared services for the City and its agencies in some common services and functions. The stated objective of the Shared Services Study was to reduce costs, increase service efficiency and effectiveness and improve customer service. The City of Toronto retained the third party consulting firm, KPMG, to undertake the study of shared services opportunities.

The Shared Services Study included City Divisions and six (6) large agencies: Exhibition Place; Toronto Parking Authority; Toronto Police Services; Toronto Transit Commission; Toronto Public Health; and TPL.

The study examined opportunities for shared services in eight (8) functional areas: human resources/labour relations; information technology; internal audit; insurance and risk management; legal services; purchasing and materials management; records management; and real estate services.

Management staff at TPL participated in the shared services study conducted by KPMG. The time frame for the work that involved TPL was June 2012 to February 2013. The activities during this period included: training in the principles of shared services delivery models; compiling and submission of organizational data; participation in workshops conducted by the consultant to explore opportunities for shared services; and evaluation of the consultant's findings.

COMMENTS

In order to organize the review and discussions of the report about the Shared Services Study, this section is organized into three (3) parts: A) City Manager's Recommendations; B) Impacts for TPL; and C) Principles for Implementation. The report presents the recommendations, identifies the impacts for the Library, and lastly identifies the principles under which TPL recommends participation in the shared services opportunities.

A) City Manager's Recommendations

For the purposes of clarity and to inform the discussion about the impacts on TPL, the actual recommendations in the City Manager's report to Executive Committee are reprinted below.

The City Manager recommends that City Council:

1. *Authorize the City Manager and the City's Executive Director of Human Resources to lead the development and implementation of labour relations and collective bargaining strategy for the City and its agencies going forward, in consultation with City agencies and report the strategy to the City's Employee and Labour Relations Committee for approval in principle;*
2. *Following approval in principle of the strategy by the City's Employee and Labour Relations Committee, request the City Manager and the City's Executive Director of Human Resources to bring forward the strategy to the relevant agency boards, or the Labour Relations Committees of the boards under delegated authority, for their consideration and approval;*
3. *Refer the following shared service opportunities to the City Manager to commence implementation in 2014 and to report further as required:*
 - a) *Share generic training and learning functions;*
 - b) *Coordinate and standardize common health and safety functions;*
 - c) *Enhance the use of the City's Internal Audit Division for compliance, assurance and business risk consulting services by agencies that do not have their own audit resources;*
 - d) *Establish a Quality Assurance Centre of Excellence to leverage tools, templates and specialized skills, coordinate work plans and share best practices; and*
 - e) *Continue to rationalize the City stores and increase direct delivery of consumable goods and automate P2P (purchase to pay) processes.*
4. *Request the City Clerk to provide as a best practice, the City's online submission application for Freedom of Information requests to interested agencies when it becomes available;*
5. *Request the Chief Corporate Officer to work with the Chief Executive Officers of the Toronto Transit Commission and Toronto Parking Authority regarding the possibility of the City providing lessor services to their agencies;*
6. *Request the City Manager and Deputy City Manager and Chief Financial Officer, to work with the Chief Executive Officers of the Toronto Transit Commission and Toronto Parking Authority, to insure the Toronto Transit Commission and the Toronto Parking Authority under the City's insurance for non-specialized policies and exclusive of claims, where the City is able to provide similar coverage for a lower cost and report further as required;*

7. *Refer the following shared service opportunities to the City Manager for further due diligence and consultation with City agencies and report back to Executive Committee with a multi-year shared service implementation plan and after consideration by boards of affected City agencies:*
 - a) *share procurement of common goods and services and implement strategic sourcing;*
 - b) *standardize human resource information systems and share payroll and benefits administration;*
 - c) *share common information technology infrastructure with a focus on infrastructure management, data management and storage;*
 - d) *rationalize information technology applications;*
 - e) *coordinate real estate contract and vendor management through an information technology platform; and*
 - f) *establish a change management centre of excellence to support the implementation of shared services and other major City change initiatives.*
8. *Request the City Clerk, in consultation with the City Manager and the Chief Information Officer, to include in the Information Management Strategy for the City, a plan to transition to managing digital records and phased-in implementation to include City agencies; and*
9. *Request that this report be forwarded to the boards of the agencies included in the Shared Service Study for their consideration.*

The report will be considered at Executive Committee at its May 28, 2013 meeting.

B) Impacts for TPL

The recommendations with the most immediate impact on TPL are #1, #2, #3 and #4. Recommendations #5 and #6 do not include TPL, and have no impact on TPL. The impact on TPL of recommendations #7 and #8 is not fully understood at this time, because these recommendations require further research and consultation, and will involve a multi-year implementation strategy. Recommendation #9 is the purpose of this report to the Library Board.

Turning to a review of more significant individual recommendations:

Recommendation #1 and 2 will have the most immediate and direct impact on TPL. Recommendation #1 calls for the development of a City-wide labour relations and collective bargaining strategy for the City and its agencies. A City-wide strategy is intended to create a more consistent and uniform approach to dealing with similar collective bargaining issues and may allow for improved management of operations and greater control of labour costs.

In Recommendation #2, the City will bring forward the strategy to the relevant agency boards for their consideration and approval. The Library will continue to conduct its own collective bargaining and carry-out its day-to-day labour relations activities.

The development of a City-wide strategy builds upon and extends the practices that have been in place at TPL since the amalgamation of the City in 1998. TPL's consistent practice in conducting collective bargaining has been to follow the City's strategy in regard to monetary issues. However, TPL also has a history of addressing its unique non-monetary issues, such as hours of work, in its negotiations with the Library Union. The adoption of a coordinated strategy should not preclude the Library from addressing its individual non-monetary issues in collective bargaining.

Recommendations #3 and #4 include shared services opportunities in a number of administrative areas, including training, health and safety programs, rationalization of City stores function, and the processing of Freedom of Information requests. It is anticipated that TPL will participate in the development and implementation of the applicable plans for these shared services opportunities.

C) Principles for Implementation

In regard to the introduction and implementation of shared services, it is important that certain principles be incorporated in the planning and execution of the programs. The four (4) main areas of concern for TPL are outlined below. These concerns have been communicated to the City Manager's Office and have been incorporated into the report.

- (i) Library Board Governance and Authority: In entering into shared services arrangements it is necessary to respect the legislative authority of the Library Board and recognize its governance responsibility for Library operations. This will be of particular significance under Recommendation #1, the labour relations and collective bargaining strategy; and the principle has been incorporated into Recommendation #2. The City will lead in the development and implementation of a City-wide strategy for negotiations; however it is the Library Board that approves the mandate for collective bargaining at TPL. This principle of obtaining Board approval also needs to be applied for all major decisions arising from the shared services initiative.
- (ii) Cost Neutrality: A chief concern in a shared services model is the potential impact on TPL's budget. The report from the City Manager emphasizes that costs related to the shared services programs need to be further reviewed as part of the implementation planning. In this context, an underlying principle is that shared services be implemented to be cost/budget neutral to the agencies. If the model for a shared service includes a charge-back or a fee-for-service component, a budget adjustment should be made so that there is no net budget impact. KPMG's approach was to recommend shared services that are value driven, and it is important that the opportunities be cost neutral for the agencies and provide a return on investment.
- (iii) TPL's On-going Participation in Planning and Implementation & Reporting Back to the Board: The City Manager's report states that a Shared Services Steering Committee will be established with membership from the City and agency senior management to guide the next stages of the planning and implementation. In addition to involvement at this senior level, other Management staff from the Library will participate in the staff working

groups that will be planning and implementing the various shared services projects. The City Manager recommended that the current report be forwarded to the agencies for their consideration and approval. Similarly, significant decisions arising from shared services implementation should be sent to the boards of participating agencies.

- (iv) **Potential Labour Relations Issues:** The City Manager's report does not identify that employees will be transferred as a result of the introduction of a shared services model. However, if a transfer of bargaining unit employees is anticipated, it is important to note that such a transfer may involve significant labour relations issues.

CONCLUSION

The recommendations in the City Manager's report require that multi-year implementation plans be developed. In some instances, successful implementation of the shared service models may involve significant business process re-engineering, organizational change, and investments in information technology and other infrastructure. KPMG has recommended that a Shared Services Secretariat be established to lead the City and agencies through the next stages of planning and implementation; and that enhanced change management resources be dedicated to implement the shared services plans.

The role and requirements for TPL in the implementation of the shared services are not yet defined. The City Manager's report identifies the opportunities for shared services; however, the due diligence and planning required to successfully implement such plans are still in the initial stages.

TPL will participate in the planning and implementation of the City's shared services opportunities. Staff will report to the Board in a timely manner on the status of the shared services implementation. Where appropriate, staff will seek approval from the Board on matters relating to governance or with budget impacts.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: *Results of the Shared Services Study – City Agencies* (City Manager's report), including Appendix A, Appendix B and Appendix C – KPMG Final Report – Executive Summary Only (full report available at:
<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-58362.pdf>)