



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: November 26, 2019

Report Number: SRCM.19.15

Department: Office of the City Manager
Division: Strategy, Innovation and Engagement

Subject: **SRCM.19.15 Third-Party Review of Non-Personnel Operating Budget – Audit and Accountability Fund Project**

Purpose:

The purpose of this report is to provide a summary of the City's Audit and Accountability Fund project, to present the final report of the Third-Party Review of the City's Non-Personnel Operating Budget from Deloitte, and to outline next steps.

Recommendation(s):

- a) That the Review of the City of Richmond Hill's Non-Personnel Operating Budget, funded by a grant through the Province of Ontario's 2019 Audit and Accountability Fund and completed by Deloitte, be received as presented in Attachment 1 to SRCM.19.15;
- b) That in accordance with the requirements of the Audit and Accountability Fund, the report from Deloitte be posted publicly on the City's website by November 30, 2019.
- c) That staff report back with a plan to implement the recommendations in Deloitte's report.

Contact Person:

David Dexter, Director of Financial Services and Treasurer

Lise Conde, Manager, Strategy and Government Relations

Report Approval:

Submitted by: Meeta Gandhi, Director of Strategy, Innovation and Engagement

Approved by: Neil Garbe, City Manager

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All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner and City Manager. Details of the reports approval are attached.

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Background:

In May 2019, the Ministry of Municipal Affairs and Housing announced that an Audit and Accountability Fund was created to provide grant funding to large urban municipalities who wanted support “to conduct service delivery and administrative expenditure reviews with the goal of finding efficiencies while protecting important front-line services.”

In accordance with program guidelines, the City submitted an expression of interest for a grant to review the non-personnel operating budget with the goal of finding up to 4% savings. In August, the Ministry advised that Richmond Hill was successful in its application. The City Manager’s Office and Corporate and Financial Services Department undertook a competitive process to find a third-party to complete this review, and Deloitte was selected.

Review Process

The Deloitte Team completed a thorough review of the City’s Operating Budget and actual expenditures from 2017-2019 to inform the review. As part of this work, they also reviewed a number of documents staff provided on City programs, services and strategies, and met with all Commissioners and almost all Directors and Managers. Deloitte’s methods and approach are detailed in their report presented as Attachment 1.

Review Findings

Deloitte’s report (Attachment 1) provides number of potential savings opportunities in three key areas.

- Recommendations for improving control (6 recommendations);
- Recommendations for reducing non-personnel costs (12 opportunities);
- Recommendations on procurement, contracting and vendor management (3 categories with recommendations for improvement).

As many of the savings are not easily quantifiable without further review, the potential savings is presented as a range. Overall, the total potential cost reduction is between \$1.72 million and \$3.77 million based on the 2018 budget, which can be achieved over a period of 3 years or more.

Next Steps

The Audit and Accountability Fund requires that the third-party report be posted publicly by November 30, 2019. The City will fulfill this requirement by publishing it to our website as part of the November 26, 2019 Budget Committee of the Whole agenda, and linked to the City’s existing Financial Services online information.

As noted in Deloitte’s report, a number of their recommendations are already in progress by City staff. These include the implementation of RHhub (SAP) to achieve process and financial efficiencies, an assessment of the use of City properties and

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moving discretionary notices to digital channels, for example. As staff have worked with Deloitte during their assignment, these are already reflected in the 2020 budget, or where greater lead time is required, will be reflected in future budgets.

However, there are also a number of Deloitte recommendations that are intended to be realized over time and/or necessitate further review to determine if implementation will achieve savings, and if so, how best to approach it. These include service-based costing, the expansion of the Lean initiative and furthering cross-municipal cooperation, for example. In the coming months the Executive Leadership Team will review these, prioritize and assign this work. There may be additional resources required in some cases to complete this work.

Deloitte's report and recommendations can be used as a roadmap for staff to implement additional savings. This report recommends that staff develop an implementation plan to operationalize the report findings.

In late October 2019, the Ministry of Municipal Affairs and Housing announced an extension of the Audit and Accountability Fund for an additional three years to further support efforts of large urban municipalities to find efficiencies and maintain front-line service delivery. Details of the three year funding program are not yet available. Once program details are announced, City staff will identify whether any additional resources needed to review and implement Deloitte's recommendations, will meet the funding requirements and apply for any grants accordingly.

Financial/Staffing/Other Implications:

The completion of the review by Deloitte was funded entirely by a Province of Ontario grant under the Audit and Accountability Fund.

The financial and staffing implications of Deloitte's recommendations will be outlined as part of the ongoing implementation by the City, including through the 2020 budget.

Relationship to the Strategic Plan:

The submission and completion of the Non-Personnel Operating Budget Review as a grant-funded project from the Ministry of Municipal Affairs and Housing Audit and Accountability Fund represents wise management of resources, specifically, the strategy of serving as a role model for municipal management, as Richmond Hill strives to improve and make more efficient our services for residents.

Conclusion:

The City received a grant from the Ministry of Municipal Affairs and Housing to conduct a third-party review of non-personnel operating expenditures. This work has been completed by Deloitte and their final report is included as Attachment 1 which makes recommendations in support of a 3.6% to 7.8% cost reduction based on the 2018 budget which can be achieved over a period of 3 years or more. Many of these

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recommendations are already reflected in the 2020 Operating Budget. Further implementation will roll-out in future budgets as well as with the reviews recommended by Deloitte to determine how additional efficiencies can be achieved. The City will continue to apply for funding through the now expanded Audit and Accountability Fund should these reviews require additional resources and meet the grant requirements.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call the contact person listed in this document.

- Attachment 1: Deloitte Report - Review of Richmond Hill's Non-Personnel Budget

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Report Approval Details

Document Title:	SRCM.19.15 Third-Party Review of Non-Personnel Operating Budget - Audit and Accountability Fund.docx
Attachments:	- Scanned Final Deloitte Report for eScribe.pdf
Final Approval Date:	Nov 21, 2019

This report and all of its attachments were approved and signed as outlined below:

No Signature found

David Dexter - Nov 21, 2019 - 8:53 AM

Meeta Gandhi - Nov 21, 2019 - 2:49 PM

Neil Garbe - Nov 21, 2019 - 2:52 PM