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## Report 2022-102

**Report Title:** Northumberland County Managed Services Review

**Committees' Names:** Public Works, Corporate Support, Finance and Audit

**Committees' Meeting Dates:** July 5, 2022

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**Approved by:** Jennifer Moore, CAO

**Council Meeting Date:** July 20, 2022

**Strategic Plan Priorities:** ☐ Economic Prosperity and Innovation  
☒ Sustainable Growth  
☐ Thriving and Inclusive Communities  
☒ Leadership in Change

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### Recommendation

**“That** the Finance and Audit Committee, having considered Report 2022-102 ‘Northumberland County Managed Services Review’, and having reviewed the material provided by StrategyCorp Inc., direct staff to arrange for StrategyCorp staff to provide a detailed review of their findings at the July 20, 2022 Council meeting; and

**Further That** the Committee recommend that Council proceed with the implementation of the recommendations as outlined in the StrategyCorp Inc. report, with any recommendations having a financial impact to be considered as part of future budget processes.”

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## **Purpose**

The purpose of the report is for Council to receive and adopt the final report and recommendations of the Northumberland County Managed Services Review as prepared by StrategyCorp Inc.(StrategyCorp).

## **Background**

In 2020, StrategyCorp completed a detailed, comprehensive Service Delivery Review of various Northumberland County (County) operations. Through this review, it was identified that there were opportunities to update and enhance the County’s approach to delivering managed services in several areas, which would strengthen the County’s capacity to continue providing quality service to external partners, while meeting increasing demand.

Based on these recommendations, the County retained StrategyCorp in late 2021 to complete a detailed review and analysis of managed services across four functional service areas including:

- Information Technology (IT)
- Human Resources (HR)
- Finance (specifically Procurement)
- GIS

Each function was assessed and recommendations for enhancements and improvements in delivering the services were identified. Recommendations and a transition plan were also developed for shifting to the longer-term vision for shared services.

## **Consultations**

Stakeholder engagement was included in the scope of work for this project, including twenty-four (24) interviews with internal and external stakeholders including County staff and municipal partners. Consultation with many of these stakeholders was also included in the original 2020 service delivery review. Based on the feedback, the following strengths were identified:

- County provides a strong, sophisticated management team with high service quality and a partnership mindset among all areas
- County team has strong technical skills in all areas
- Each area has some sort of agreement in place

The following challenges were identified:

- County services priced far below typical market rates and each function has a different preference for pricing due to the different nature and scope of services
- Current agreements do not have content or flexibility to manage ad-hoc/unexpected requests and/or provision of services outside of business hours
- Expansion of County services beyond municipal partners has increased need for new areas of technical expertise and infrastructure needs that the County staff may not have
- Most functions lack appropriate resource level and do not have surge resourcing capacity to manage unexpected requests along with the ongoing managed services workload

### **Legislative Authority / Risk Considerations**

The member municipalities rely on the services provided in each functional service area, which are driven by various legislative requirements and/or standard services to support municipal operations. The legislation that applies to each service area is:

#### **HR**

Ontario Employment Standards Act, 2000; Labour Relations Act Ontario; Ontario Human Rights Code; Ontario Pay Equity Act; Personal Information Protection and Electronic Documents Act, 2000; Workplace Safety and Insurance Act; Accessibility for Ontarians with Disabilities Act and Regulation; Occupational Health & Safety Act; Canadian Payroll Association

#### **Finance (Procurement)**

Procurement activities are conducted in compliance with all relative legislation, acts and trade agreements such as the Municipal Act, the Canadian Free Trade Agreement and the Comprehensive Economic and Trade Agreement.

#### **GIS**

The GIS services support data collection, database updates and maintenance, mapping, etc. to support the member municipalities in their asset management needs as a requirement of Ontario Regulation 588/17 Infrastructure for Jobs and Prosperity Act, 2015.

#### **IT**

While no legislation specifically applies to IT services, services are optimized to safeguard the managed services partners' information and assets through a proactive IT risk management strategy.

The recommendations and enhancements included in the StrategyCorp report will enable the continued delivery of these services and to accommodate the municipalities increasing needs. Without implementation of the recommendations, there is significant risk in not being able to meet the future state needs, impacting the municipalities' ability to meet legislative requirements and carry out municipal operations in these functional areas.

## **Discussion / Options**

The project assessment framework was established for the project to organize the findings, insights, and recommendations for each functional area. The framework consists of the following categories:

- Strategy and Governance
- Accountability and Performance Management
- Financial management
- People and Skills
- Process and Infrastructure

While there are similarities and consistencies, each functional area is unique. A thorough review of the current state was completed in each functional area and recommendations were developed to meet the future-state needs with several identified enhancements and improvements in each of the framework categories. The following similarities in the future state were identified:

- Introduction of cost recovery model changes to account for all cost drivers
- Introduction of legal frameworks and agreement terms to manage demand and growth
- Structures that provide a more dynamic partnership with clients for changes
- Clearer definitions of services offered and retained to manage expectations
- Processes and structures to prioritize and manage workload and performance
- Recommendations to move towards shared services model

The following differences in the future state were identified:

- The approach to cost recovery is unique in each functional area as it relates to scoping of services, details of services provided, variations in cost drivers, changes to align with future state and required processes, policies, and infrastructure to support implementation

A summary of the recommendations for each functional area are included in the presentation and the detailed recommendations are included in the final report from StrategyCorp.

The longer-term goal is to transition from Managed Services to Shared Services and while each functional area is in a different state of maturity, implementation of the enhancements and improvements to the County's managed services is a big step towards a true Shared Services model of outsourcing government services. The Shared Services model is designed to pool together resources, functions, skills, and processes with partners to create economies of scale, standardization, and consolidation of operations for the efficient delivery of services.

## **Financial Impact**

The report identifies costing and pricing considerations to support the effective administration of managed services including the introduction of principles for costing and pricing; enhanced and well documented costing and pricing models to better achieve design principles and to manage the current gaps/needs; and to update related agreement term sheets. These considerations are primarily required to ensure a true and fully cost recovered service.

In the People and Skills category, additional staff resources have been identified in the IT, HR, and GIS functional areas to meet current and future needs. With managed services being relatively new in the Finance (Procurement) area, on-going monitoring and data collection will be completed to better understand the demand pressures in delivering these services to ensure resource capacity is considered during the transition to managed agreements. It was also identified that the agreements do not take into consideration paid time off (vacation, statutory holidays, training, sick, etc.), and this is reflected in the resource gaps.

Implementation of the recommendations in the report will primarily require staff time to develop policies, update the agreements, costing models and to meet with service partners to transition to the updated managed services model. Recommendations for additional staffing would be brought forward during the 2023 budget deliberations in each area, with the majority having minimal impact to the County budget as the positions will be cost recovered.

### **Member Municipality Impacts**

As described above, there has been a significant amount of positive feedback and client satisfaction from the member municipalities on the managed services provided to date, which is reinforced by the increasing demand for services in all areas.

Implementation of the recommended costing adjustments and/or pricing models to deliver the services will impact member municipalities, however, the cost for service is still anticipated to be less than using external resources with the added benefit of continued consistent, responsive, high-quality services delivered by County staff.

One of the challenges identified in all functional areas was management of the ad-hoc and/or unplanned requests, which significantly impacts staff resources, scheduling, and meeting deadlines. Member municipality support in identifying and committing to service requirements is essential to providing an effective and efficient managed service.

Once agreements are updated, County staff will meet with the member municipalities to review changes and discuss phased implementation, as necessary.

### **Conclusion / Outcomes**

StrategyCorp completed a comprehensive review of the managed service agreements in the IT, HR, Finance (Procurement), and GIS functional areas to assess the current state and provide recommendations on enhancements and improvements to meet the future needs of County managed services. The review and recommendations were completed within a framework consisting of five categories including Strategy and Governance, Accountability and Performance management, Financial Management, People & Skills, and Process and Infrastructure. It is recommended that the Final Report completed by StrategyCorp be adopted by Council and staff move forward with implementation of the recommendations to improve and enhance the County Managed Services.

### **Attachments**

1. Northumberland County Managed Services Review, Final Report Presentation, July 2022