Northumberland County Managed Services Review

Final Report Presentation

July 2022

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Purpose of Today's Discussion

The purpose of today's presentation is to present the findings and recommendations from StrategyCorp's detailed analysis across four managed services areas (IT, GIS, HR, Finance) at Northumberland County. Below is a table of contents for the document.

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This document is a summary of the fulsome Final Report submitted to the County, which is provided as an Appendix to this presentation.

Project Background and Overview

Project Overview and Objectives

Northumberland County retained StrategyCorp. in October 2021 to conduct a detailed review and to identify enhancements in the implementation of the County's managed services in four service areas. This review was an extension of the Service Delivery Review StrategyCorp conducted for Northumberland County in 2020, where it was first identified that there are opportunities for better overall management and cost recovery when it comes to Managed Services in the IT, GIS, HR, and Finance (Procurement) areas.

Project Objectives

- ✓ **Understand the current state** of the County's managed service delivery, including cost recovery models and effectiveness.
- ✓ **Pinpoint enhancements or improvements in managed service delivery** in alignment with StrategyCorp Inc's framework for effective public sector managed services.
- ✓ **Establish recommendations and a transition plan** for the County's long-term vision towards adopting shared services.

Current State of Managed Services Overview

IT: currently provides managed services to five separate public sector organizations.

HR: currently provides human resource support services to two member organizations through managed service agreements.

GIS: currently provides services to six member municipalities through managed or non managed service agreements.

Finance: currently provides informal purchasing and procurement support services to member municipalities at no cost.

Overall Project Approach

1. KICK-OFF
2. CURRENT STATE REVIEW
3. FUTURE STATE PLANNING
4. FINAL REPORT

Context – Setting: Serving Municipalities & Partners

In its current state, Northumberland County operates as a managed services provider – acting as a contracted service that provides its client with services that are scoped and governed by a Managed Services Agreement. There are several approaches to offering and administering outsourced government services and they range in their complexity, effectiveness and success factors.

Government Services Outsourcing Maturity Scale

Ad-hoc, undocumented and unpredictable services offered to member municipalities	Services remains project-based and inconsistent in terms of complexity, frequency of services	Services offered are structured through an agreement that establishes service requirements, timelines and expectations	Service provider and recipient are partners in service delivery, working together to create scale, efficiency, and depth of collaboration
Advice, Informal Support/Tasks	**Managed Services**		**Shared Services**

StrategyCorp's Final Report focuses on introducing improvements to the Northumberland County Managed Services environment, with a long-term vision towards assessing the feasibility of operating more as a shared services organization. More information about Shared Services is included at the end of this presentation, and in the Final Report.

Context – Setting: Managed vs. Shared Services

The terms 'managed services' and 'shared services' represent different models/approaches to structuring and funding service delivery to partner organizations. Below is a comparative description and comparison of managed services and shared services. The functions involved in this review primarily deliver managed services to partners.

	Managed Services	Shared Services
	The practice of outsourcing business administration and management responsibilities to a third party.	**Shared services pools together resources, skills, and processes across different units/organizations to create economies of scale and increase standardization for the delivery of quality services.**
Benefits	✓ A Managed Services Agreement (MSA) can assist in establishing a long-term business relationship with the client. ✓ Long-term strategic investments by the provider can have indirect/spillover benefits to the client's services.	✓ Shared services offers a cost-effective, efficient and consistent platform for service delivery and in some cases helps reduces administrative overhead. ✓ The cost advantages from standardization and pooling of resources/skillsets brings a common understanding, definition, and set of metrics among partners.
Limitations	• Unclear terms and conditions in the MSA can result in the providers being forced to take additional project duties. • Incompatibility of organization culture between provider and client can lead to lack of understanding or collaboration between the two.	• Lacking the appropriate tools, technology, and management capability can complicate shared services implementation and add more complexity for all partners. • Poor governance in cross-agency shared-services implementation efforts hinders the ability of other partners having a voice in critical decisions.

Current State Findings

Current State Findings: County-wide (all functional areas)

The current state assessment by StrategyCorp Inc. revealed 27 insights about the current state strengths, challenges and opportunities to improve the managed services environment in the County. Below is a summary of some of the overall findings which were common across all the functional areas analyzed.

Current State Strengths

- ✓ Staff and other stakeholders cited the **strong, sophisticated management team, high service quality, and a partnership mindset** among all the functions.
- ✓ **Strong mix of the technical skills and infrastructure** in each of the functional areas.
- ✓ Each function has **some degree of agreement management and performance management structures** including an existing Managed Services Agreement template that covers many core/baseline elements.

Current State Challenges

- County services being **priced far below typical market rates** with each function having different preferences for pricing due to the different nature and scope of services
- The expansion of County services beyond municipal partners has increased **the need for new areas of technical expertise and infrastructure** that the County staff may not have.
- Most functions lack the appropriate resourcing level, and **do not have surge resourcing capacity to manage unexpected requests** along with the ongoing managed services workload.

Additional details on the current state assessment including common and unique insights among each functional area can be found in the 'Current State Insights' section in the Final Report. The Final Report is included as an Appendix to this presentation.

Current State Findings: Function-by-Function specific

In addition to the County-wide insights presented on the previous page, several insights unique & specific to each functional area emerged. Below is a summary of the key takeaways from the Current State Assessment.

IT

- **Establish a new costing model** to better reflect current and growing costs.
- **Review and revisit contract language, terms and length** to adequately manage relationships, demand, processes and services.
- **Analyze the true resource needs** based on current and future demand expectations in alignment with agreement improvements and costing/pricing changes.

HR

- **Establish a new costing model** to reflect true cost of services and balance tracking of services with enough flexibility to manage complex or evolving needs.
- **Clearly define scope of work and related service levels** in HR service agreement.
- **Identify key process and infrastructure requirements** to support ongoing management, reporting and delivery of services.

GIS

- **Revisit the existing costing model** that reflects true cost of services and continues to leverage strengths of CityWorks.
- Demand for GIS are increasing at the member municipality level, as it outpaces current GIS department capacity for services. **Clearly define scope of work and related service levels** in service agreements.
- **Account for paid time off in service agreements.**

FIN

- **There is growing demand for shared finance procurement services** leading to a need for more formality to manage demand and related resourcing impacts.
- **Ensure education and capacity building is considered as part of the delivery/transition to managed services** so that partners are aware of the process and what it entails.

The detailed current state insights about each functional area are included in the Appendix.

Recommendations

IT – Recommendations (1/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the IT Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Align/introduce cross-functional managed services governance structures in which all functions engage periodically to support the County-wide managed services environment.	✓ Enables strategic oversight of entire NC Managed Services Environment ✓ Creates space for innovation, continuous improvement, best practice sharing across functions. ✓ Enables cross-function trend analysis, which supports the broader journey to Shared Services. Creates opportunities to identify synergies and efficiencies.
Update the Managed Services Agreement template with partners to include additional, more specific content. Introduce formal Service Levels (SLAs) to accompany each "service tier" to improve tracking and reporting structures (see next page for more information on "service tiers")	✓ Sets strong foundation for the relationship through transparency, clarity and structure. ✓ Aligns recommendations with contractual structure of each relationship.

IT – Recommendations (2/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the IT Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Transition to a "service tier" structure for managed/shared services delivery and recover costs in alignment with the service offerings in each tier. Itemize "additional services" for services outside the tier that partners.	✓ Enables true cost recovery by aligning spend categories with use of each partner. ✓ Creates structures to capture ad-hoc or standalone requests that have in the past been uncaptured costs to NC.
Assess the feasibility of introducing a coordinating resource with partial dedication to coordinating and supporting a well-organized managed services environment for IT.	✓ Supports effective functioning, relationship building, compliance, reporting surrounding the MS function. ✓ Alleviates burden on delivery staff currently responsible for these tasks, resulting in things sometimes falling through the cracks.
Continue with intake, tracking and management of services needs/requests in the context of the "service tier" structure and in a way that supports strategic reporting and oversight.	✓ Maintains transparency, enables continuous improvement and decision-making.

HR – Recommendations (1/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the HR Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Align/introduce cross-functional managed services governance structures in which all functions engage periodically to support the County-wide managed services environment.	✓ Enables strategic oversight of entire NC Managed Services Environment ✓ Creates space for innovation, continuous improvement, best practice sharing across functions. ✓ Enables cross-function trend analysis, which supports the broader journey to Shared Services. Creates opportunities to identify synergies and efficiencies.
Update the Managed Services Agreement template with partners to include more specific content to support managed services. Introduce more robust performance indicators to help with service delivery.	✓ Sets strong foundation for the relationship through transparency, clarity and structure. ✓ Aligns recommendations with contractual structure of each relationship.

HR – Recommendations (2/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the HR Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Introduce a "fixed fee" style approach to managed services cost recovery in which the County works with the partner at the outset of the agreement to scope the services and expected costs for services over the duration of the contract.	✓ Increases transparency and clarity for service scoping, effort and costs involved. ✓ Establishes some predictability in expected work volume for each partner, with appropriate processes to maintain flexibility.
Assess the feasibility of introducing additional capacity to provide Emergency Management services to partners and having dedicated resource support for not-for-profit organizations.	✓ With appropriate capacity, this is an area of interest amongst partners and internally within NC to increase Managed Services offering.
Introduce an intake and prioritization procedure for all HR requests that enables the County to receive, assess and adequately prioritize requests in a consistent manner.	✓ Better structure workload and task prioritization/planning. ✓ Enable better resource management, including handling of unexpected, ad-hoc or emergency requests.

GIS – Recommendations (1/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the GIS Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Align/introduce cross-functional managed services governance structures in which all functions engage periodically to support the County-wide managed services environment.	✓ Enables strategic oversight of entire NC Managed Services Environment. ✓ Creates space for innovation, continuous improvement, best practice sharing across functions. ✓ Enables cross-function trend analysis, which supports the broader journey to Shared Services. Creates opportunities to identify synergies and efficiencies.
Update the Managed Services Agreement template with partners to include more specific content to support managed services. Introduce more robust performance indicators to help with service delivery.	✓ Sets strong foundation for the relationship through transparency, clarity and structure. ✓ Aligns recommendations with contractual structure of each relationship.

GIS – Recommendations (2/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the GIS Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Continue with the current approach to cost recovery (per-use cost recovery), with enhanced rates that reflect the true costs of all potential resources involved.	✓ Maintains current-state strengths within the process and model.
Add another GIS specialist to address the existing (approx. 0.5 FTE) resource gap, which is expected to grow and increase in alignment with increasing service demands.	✓ Recommendation initially presented in 2020 Service Delivery Review with detailed rationale based on workload analysis. Recommendation validated in 2022 context through this project. ✓ Fills current capacity gaps and accounts for actual resourcing required to deliver service to partners. Relieves known workload pressures.
Move forward with process and policy improvements recommended in StrategyCorp's SDR Final Report from December 2020.	✓ Recommendation initially presented in 2020 Service Delivery Review highlighting several process-by-process improvements to consider implementing to alleviate workload pressures, create efficiencies, etc.

FIN – Recommendations (1/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the FIN Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Align/introduce cross-functional managed services governance structures in which all functions engage periodically to support the County-wide managed services environment.	✓ Enables strategic oversight of entire NC Managed Services Environment. ✓ Creates space for innovation, continuous improvement, best practice sharing across functions. ✓ Enables cross-function trend analysis, which supports the broader journey to Shared Services. Creates opportunities to identify synergies and efficiencies.
Implement a Managed Service Agreement for the Finance function using the template/model in other functions.	✓ Sets strong foundation for the relationship through transparency, clarity and structure. ✓ Aligns recommendations with contractual structure of each relationship.

FIN – Recommendations (2/2)

Based on the current state findings presented on the previous page, below is a high-level summary of StrategyCorp's recommendations for the FIN Managed Services function at Northumberland County.

Recommendation Summary	Recommendation Rationale
Introducing a "fixed fee" approach to service scoping and agreements for delivery. This includes a billing structure that articulates when the fee will be collected.	✓ Increases transparency and clarity for service scoping, effort and costs involved. ✓ Establishes some predictability in expected work volume for each partner, with appropriate processes to maintain flexibility.
Annually leveraging data and insights to understand the demand pressures facing FIN resources to effectively manage and deliver both internal and managed services responsibilities within the County.	✓ With appropriate capacity, this is an area of interest amongst partners and internally within NC to increase Managed Services offering.
Introducing a change control process, as well as a process and accountabilities for service requesting and intake should be included in the agreement and overall planning to accommodate managed services work.	✓ Better structure workload and task prioritization/planning. ✓ Enable better resource management, including handling of unexpected, ad-hoc or emergency requests.

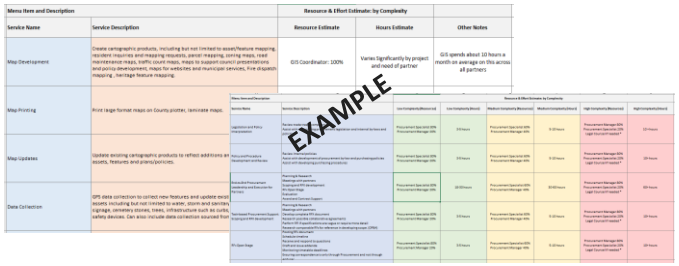
Implementation Tools

StrategyCorp worked with the County to develop several operational tools that staff can use (1) in the short term to help launch the recommendations; (2) and in the long-term to operationalize the recommendations in real-time. These tools have been summarized in the Final Report and have been provided to the County teams for their day-to-day operational use.

Service Menu

Each function now has a detailed 'service menu' that can be used to educate potential and existing partners about the effort related to each service.

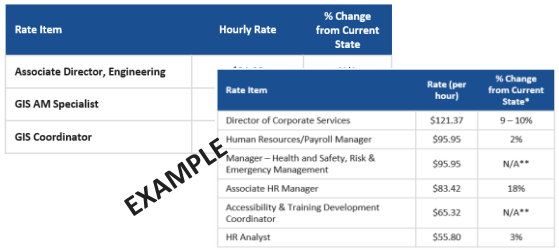
The menu will act as a tangible tool to determine service fees.



Updated Service Rates

Many of the service rates in each functional area had not undergone a review against current cost levels in a few years.

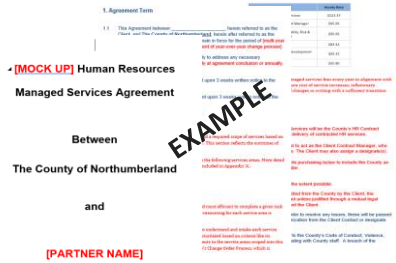
Each function has now updated their service rates and will implement a cadence to review those rates year-over-year.



Managed Service Agreement Template

StrategyCorp developed a MSA Template for each functional area to reflects their unique service delivery models.

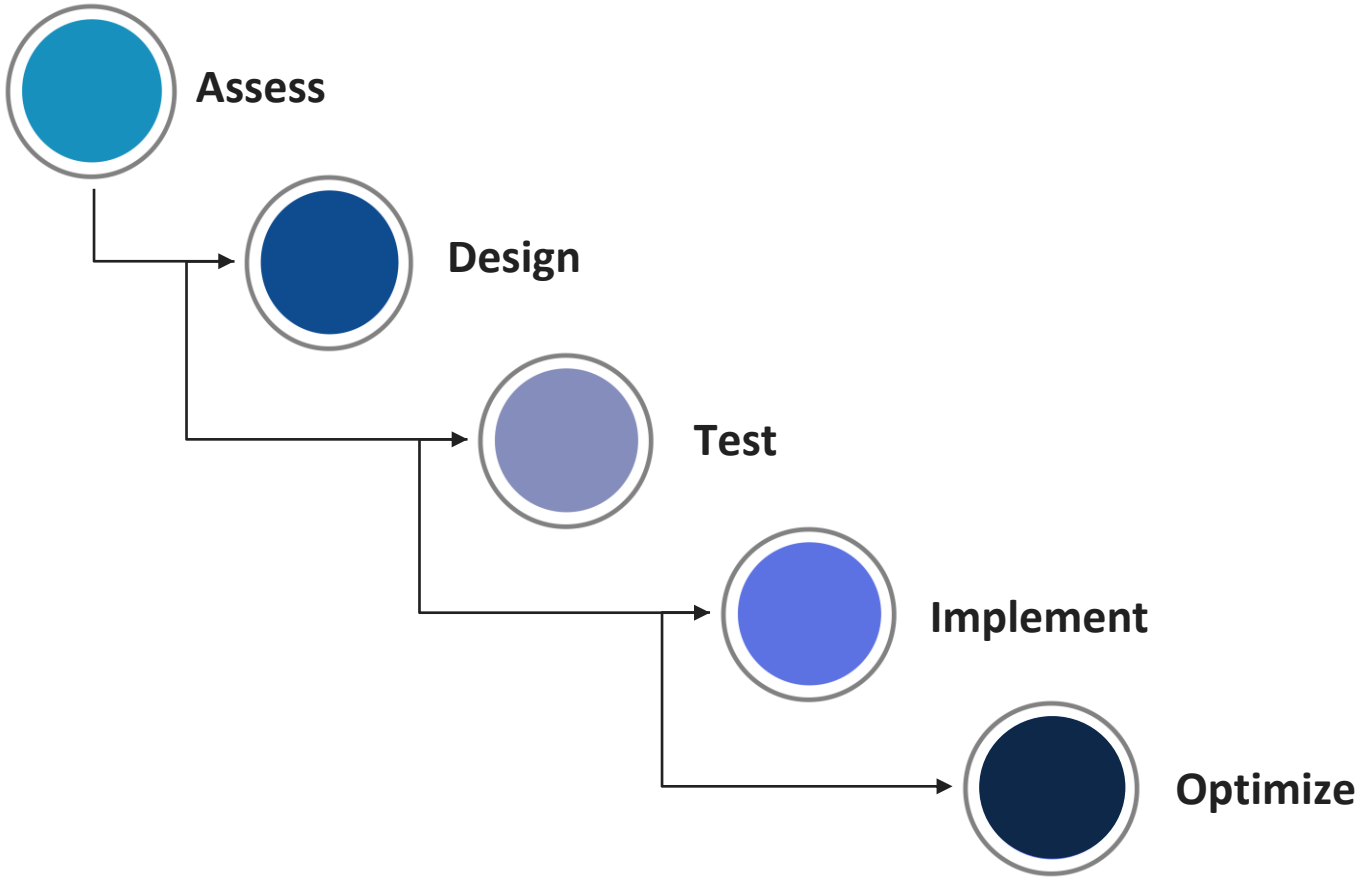
These templates require review and refinement by the Northumberland County Legal Department to ensure compliance and effectiveness.



Conclusion & What's Next

Conclusion & What's Next

The focus of StrategyCorp's analysis was on the identification and recommendation of improvements to the current managed services environment. The analysis to-date has revealed that Northumberland County may wish to pursue 'true' shared services in one or more of its functional areas that currently offers managed services.



Implementing a shared services organization or delivery project is a unique journey for each organization, informed by their historical context, operating environment and stakeholder needs.

Across all shared service implementation projects, StrategyCorp recommends that organizations follow a five-stage approach to rationalize, test and implement shared services.

Additional details on the steps are included in the Final Report.

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Appendix: Comprehensive Final Report