



CITY OF HAMILTON
HUMAN RESOURCES
CITY MANAGERS OFFICE
CORPORATE SERVICES

TO:	Chair & Members Audit, Finance & Administration Committee
COMMITTEE DATE:	May 8, 2017
SUBJECT/REPORT NO:	Centralization of City Internal Support Services (HUR17007/CM17012/FCS17056) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Anna Filice 905-546-2424 Ext. 8910 Brian McMullen 905-546-2424 Ext. 4549
SUBMITTED BY:	Lora Fontana, Executive Director Human Resources & Organizational Development Andrea McKinney, Director Communications & Intergovernmental Affairs Mike Zegarac, General Manager, Finance and Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That Phase 1 of the Centralization of Internal Support Services for Human Resources, Communications, Design and Finance and Administration, be approved with no impact to the property tax levy and subject to any impact from legislated requirements for program delivery;
- (b) That staff report back on Phase 2 of the Centralization of Internal Support Services for Information Technology (IT), Marketing, Human Resources, and Procurement.

EXECUTIVE SUMMARY

At the February 7th, 2017 General Issues Committee (GIC) meeting, Council directed staff to review and analyse the feasibility of transferring corporate internal support service resources to the Corporate Services Department and the City Manager's Office, as appropriate. The positions primarily within scope would include those distributed positions with accountabilities to the Finance, IT, Communications, Human Resources, and Procurement divisions.

The City of Hamilton utilizes a blend of centralized and distributed resources for the delivery of internal support services. The existing budget for distributed staff resources and related costs for these internal support services resides within the various operating departments of Community and Emergency Services Department, Public Health Services, Public Works Department and Planning and Economic Development Department.

Staff is recommending that the centralization of internal support services occur in 2 phases.

Phase 1 recommends the transfer of budgeted full time equivalent (FTE) resources from the operating departments to the centralized internal support divisions for Human Resources, Communications, Design and Finance and Administration. Phase 2 investigates the centralization of budgeted FTEs for Information Technology, Procurement, Marketing, and possibly further Human Resources staff.

Alternatives for Consideration – Page 5.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None. The centralization of internal support services will be completed with no impact on the property tax levy.

Staffing: Currently, the operating departments have budgets for distributed internal support resources for 17 FTEs for HR, 8 FTEs for Communications, 4 FTEs for Design, and 91 FTEs for Finance and Administration.

Legal: N/A

HISTORICAL BACKGROUND

The current mix of centralized and distributed resources for the delivery of City internal support services of Human Resources, Communications, Design, and Finance and Administration has evolved over time and has been in place since 2001/2.

In those cases where there are “centralized” resources, the budgeted complement is held directly in the division that is accountable for the service provided.

In those cases where there are “distributed” resources, the budgeted complement is held in an operational department, other than the division that is directly accountable for the service provided.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

In accordance with the City of Hamilton's Budgeted Complement Control Policy (CBP-1 from Report FCS16024) Budget Control Policy (CBP-2 from Report FCS12010(a)), and the Organizational Re-Structuring Policy, transferring staff complement from one department to another department and the related budget amendments require the approval of Council. The changes include the transfer of staff from the operating departments to the centralized support divisions in the Corporate Services Department and City Manager's Office.

The City's Cost Allocation Revised Methodology (Report FCS09064) provided the framework for allocating and reporting of costs in the operating departments for leveraging all revenue sources, user fees, decision making, benchmarking and performance measurement, legislation; and accountability. As such, the impact of transferring staff from the budget of a division of an operating department to the budget of a division of a centralized internal support service division has to be reviewed.

Federal and Provincial Government reporting requirements under legislation and funding models (including Building Code Act, Municipal Act, Safe Drinking Water Act, Ontario Works Act, Long Term Care, Public Health Services) provide for the reporting of support costs and, in some cases, staffing full time equivalent (FTE) resources as program costs. This reporting results in additional revenue from other sources and reduces the impact on the property tax levy. These legislative requirements are being reviewed to assess the impact on the centralization of City Internal Support Services.

Service Level Agreements for the delivery of internal support services to the operating departments and divisions will be reviewed and updated as appropriate.

RELEVANT CONSULTATION

Senior Leadership Team, Information Technology (IT) Division, Financial Planning, Administration & Policy Division, Human Resources, Communications Division and Planning & Economic Development Division were consulted in the development of this report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

In the existing model, various internal support service departments operate with a mix of centralized and distributed resources.

For the purposes of this report, “distributed” refers to budgeted complement for a given service that is held in an operating budget other than the division that is directly accountable for the service provided (for example, a Human Resources FTE budgeted and paid for in the Public Works operating budget).

“Centralized” refers to budgeted complement that is held directly in the division that is accountable for the service provided (for example, a Human Resources FTE budgeted and paid for in the Human Resources operating budget).

Table 1 details the breakdown of identifiable distributed versus centralized resources for each of the internal support service areas to be actioned in phase 1.

Table 1 - Phase 1 of Centralization of Internal Support Services

Support Service Area	# of Existing Centralized Resources (Budgeted FTE)	# of Distributed Resources (Budgeted FTE)
Human Resources	60.83	17
Communications	11	8
Design	0	4
Finance & Administration (F&A)	9	91
Total	80.83	120

The existing distributed model presents challenges for some of the support service divisions including:

- Poor line of sight on total cost of the internal support service areas
- Difficulty aligning all staff to common corporate objectives
- Inability to leverage work for the best corporate value (uneven levels of service are provided across the organization based on budget for the distributed staff)
- Lack of clarity around accountability and authority (Division leader versus Department leader)
- Inability to balance work load and add additional skills and capacity to high priority initiatives
- Impacts the City’s ability to plan and manage resources at a corporate level

The centralization of internal support resources can enable the alignment of authority and accountability to the leader of the respective support service division that should create efficiencies over time. This will enable leaders to leverage resources and provide enhanced service levels while maintaining staff complement at the same level.

The anticipated advantages for the internal support service areas are:

- Enhanced clarity on performance expectations, reporting relationships, and decision making authority
- The ability to manage service levels and priorities across the entire corporation
- Resource allocation based on strategic priorities and highest citizen impact
- Centralized measurement, evaluation and accountability of services
- Consistent use of methodologies, approaches and processes that are well-documented, clearly outlining roles and responsibilities of staff
- Increased understanding of skills sets and expertise and improved allocation of resources for the benefit of the corporation as a whole
- Centralized decision-making based on alignment of skill sets and expertise with priority projects and corporate needs (prioritization and planning)
- Greater capacity for emerging corporate priorities through improved resource

Further division specific advantages could include centralized oversight and management of brand adherence and reputation management (communications/marketing). For example, centralized communications, marketing and design will ensure the City can maximize its brand opportunities, better leverage resources/dollars and reduce fragmentation. Brand identity is improved through effective marketing plans with clear target audiences and outcomes. As an example, using multiple logos and mini-websites take away from the City's overall brand/communications and may cause confusion for residents.

Based on this, staff is recommending that the total 120 distributed resources highlighted above be restated into the centralized operating budgets of the divisions accountable for delivering the service.

Staff do not anticipate any accommodation or budget pressures resulting from the recommendation to restate or relocate staff into their centralized operating division budgets.

In addition to the resources identified above, staff note that there are additional resources in IT, marketing, and procurement who are doing work which is very much aligned to the internal support service division. Staff will bring back a subsequent report(s) identifying these resources and requesting Council direction for the centralization of resources, where appropriate.

ALTERNATIVES FOR CONSIDERATION

To continue with the existing organizational structure and reporting relationships would prevent some of the corporate internal support divisions from exercising proper control and authority over prescribed services. Management staff responsible and accountable for the delivery of services would continue to be compromised in their ability to assess and modify work in accordance with best practices and value for money work.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.