TORONTO

REPORT FOR ACTION

Audit and Accountability Fund - Intake 2 Final Reports

Date: October 5, 2021
To: General Government and Licensing Committee
From: Chief Financial Officer and Treasurer and Deputy City Manager, Corporate Services
Wards: All

SUMMARY

In November 2020, the provincial government announced they were initiating a second intake to their Audit and Accountability Fund. Large urban municipalities were able to apply for funding to undertake third party reviews with the goal of finding service delivery efficiencies, while protecting front-line services, which presented the City with a chance to further expand on and review the recommendations received as part of the 2019 Value-Based Outcomes Review (VBOR).

In February 2021, the City of Toronto received confirmation they had three project applications accepted into the program:

1) Digital Modernization of Revenue Services
2) Digitization of Needs-Tested Programs
3) Greater Toronto and Hamilton Area (GTHA) Regional Procurement Collaboration Assessment

Successful applicants were to use provincial funding to hire an independent third-party reviewer who was required to submit a final report which outlined their analysis, findings and actionable recommendations. This report transmits the findings of the completed independent third-party reviews, conducted on behalf of the City of Toronto.

The recommendations and findings will inform future strategies for modernizing our financial decision-making to achieve Council's priorities and contribute to long-term financial sustainability.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer and Deputy City Manager, Corporate Services, recommends that:

1. General Government and Licensing Committee receive this report for information.

FINANCIAL IMPACT

The City of Toronto successfully submitted three project applications to the Audit and Accountability Fund. Upon completion of the final project requirements, the Province will provide the City with project funds as outlined in Table 1.

Table 1: Audit and Accountability Fund Intake 2 - Funding Allocation

Project	Total Funding
Digital Modernization of Revenue Services	Up to $600,000
Digitization of Needs-Tested Programs	Up to $500,000
GTHA Regional Procurement Collaboration Assessment	Up to $500,000

Funds will be used as reimbursement for third-party review fees. Municipal administrative costs are not eligible.

The attached third-party reports identify short and long-term opportunities for efficiencies and quantify potential benefits, where possible, acknowledging an opportunity to reinvest to manage growth in service demands. Further assessment will be undertaken by staff to determine implementation timelines and strategies, and to determine any potential benefits to be realized, in consideration of initiatives underway and any external dependencies.

Staff will continue to monitor future allocations of the Audit and Accountability Fund for the City to further review opportunities for financial sustainability and modernization.

DECISION HISTORY

At its meeting on April 7 and 8, 2021, City Council authorized the Chief Financial Officer and Treasurer to receive funds and to negotiate, enter into and execute any required Transfer Payment Agreement, including any amendments thereto, with the Province of Ontario under the Audit and Accountability Fund on terms and conditions satisfactory to the Chief Financial Officer and Treasurer, and in a form acceptable to the City Solicitor.

Item EX22.1: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX22.1

COMMENTS

Audit and Accountability Fund - Intake 2

In November 2020, the provincial government announced they were initiating a second intake to their Audit and Accountability Fund. Large urban municipalities were able to apply for funding to undertake third party reviews with the goal of finding service delivery efficiencies, while protecting front-line services, which presented the City with a chance to further expand on and review the recommendations received as part of the 2019 VBOR (supported by funding from the Audit and Accountability Fund Intake 1).

The provincial priorities outlined in the second intake of the program focused on digital modernization; service integration; and development approvals. In February 2021, the City of Toronto received confirmation they had three project applications accepted into the program:

1) Digital Modernization of Revenue Services
2) Digitization of Needs-Tested Programs
3) Greater Toronto and Hamilton Area (GTHA) Regional Procurement Collaboration Assessment

Successful applicants were to use provincial funding to hire an independent third-party reviewer who was required to submit a final report which outlined their analysis, findings and actionable recommendations. The program would not cover costs for projects focused on revenue generation or reductions in front line services, or if the review extended beyond municipal accountability. As one of the requirements of the program, the projects were to result in a final report by the independent third-party reviewer with specific and actionable recommendations for cost savings and efficiencies. Given their work on the 2019 VBOR and the opportunities identified, along with existing background knowledge, Ernst & Young was selected as the third-party reviewer for the three projects accepted into the Audit and Accountability Fund, to ensure that projects could be completed within the program's required timelines.

Numerous recommendations identified in the reports are already being implemented by the City of Toronto. The remaining recommendations and findings will inform future strategies for modernizing our financial decision-making to achieve Council's priorities and long-term financial sustainability. Some of these may require coordination from multiple areas within the organization, and others may be dependent on external factors. Staff will further assess and review for prioritization for implementation over the long-term.

The final reports for the City of Toronto's three projects are attached to this report. A summary of each project is provided below.

1) Digital Modernization of Revenue Services

The City of Toronto's recently established Corporate Strategic Plan contains two key corporate priorities: 'Financial Sustainability' and 'A Well Run City'. Both priorities require the modernization of our revenue collection processes externally (customer experience) and internally (back-office operations).

The report finds that many revenue-related processes across City services are transactional in nature and could be consolidated and delivered in a more efficient method, providing standardization and consistency across the organization. The report contains a number of recommendations designed to enable and optimize the consolidated enterprise-wide revenue services function, envisioning a Revenue Shared Services Centre supported by a Centre of Excellence with a new operating model for end-to-end Service to cash processes. Enabling this modernization is expected to deliver meaningful benefits, including:

- An improvement in the productivity of revenue collection and management by consolidating key revenue processes, streamlining and standardizing processes, and enabling more consistent automation;

- Launching and expanding a digital payments service for making payments to the City with modern and value-added features that residents expect, which is intended to reduce the overall cost of service on a per transaction basis while enhancing the customer experience and introducing new capabilities;

- Improving the quality of the City's revenue and customer-related data, allowing for more robust reporting and management; and

- Delivering meaningful efficiencies; providing the City with the opportunity to re-invest to manage growth in the demand for services, and associated staff effort needed to deliver and maintain service levels in growth scenarios.

These initiatives come at a time of considerable change for the City. COVID-19 has accelerated shifts in consumer behaviour toward the use of more digital payment methods and on-demand channels. Internally, a significant number of initiatives are already underway which will intersect with the next steps of this project. Digitally enabling payments and consolidating and transforming the revenue services function are an important step in the City's continuing modernization journey. Further details on the recommendations and associated benefits are outlined in Attachment 1.

2) Digitization of Needs-Tested Programs

Pressures on the City's needs-tested social programs are growing, including those administered on behalf of other orders of government, and, in many cases, due to factors beyond the City's control. Population growth, in-migration of vulnerable people, increases in socio-economic inequality, and limitations in the use of revenue generating tools are all expected to put pressure on the sustainability of the City's social services framework.

This report is a logical next-step to further explore opportunities prioritized in the 2019 VBOR and can serve as a call to action to further the Human Services Integration (HSI) agenda. The City has made progress over the past several years, including growing the mandate of the Applicant Support Centre; launching new technology platforms; and initiating a pilot with the Canada Revenue Agency (CRA) for automated income verification within Revenue Services Division. While this has advanced the maturity of the City's needs-tested program administration, the report has identified additional opportunities for the City to drive reinvestment and enhance service sustainability to mitigate demand pressures. Most importantly, these modernization efforts provide the opportunity to enhance the client experience for the vulnerable population served by these programs.

Modernizing, optimizing and digitizing the administration and operations of needs-tested programs are the levers the City can use to enable sustainable reinvestment and continue HSI transformation. The report identifies common intake and assessment pain points for different needs-tested programs, and identifies tactical and strategic recommendations as a result. The recommendations were informed by a number of factors, not least of all the need to enhance fiscal and service sustainability through the following priorities:

- Improving the applicant or recipient experience as a more supportive partner to those in vulnerable conditions;

- Raising the quality of information available in order to make better allocative decisions for individuals and populations;

- Reducing operational and financial risk to the City by increasing the use of automated validations and strengthening partnerships with other orders of government;

- Optimizing resource allocations by targeting scarce resources more effectively, providing better interventions relative to priority, vulnerability and need; and

- Meaningful productivity enhancements and reduced administrative costs, enabling reinvestment to manage increasing service demands.

Further details on the recommendations and associated benefits are outlined in Attachment 2. The City of Toronto is currently undergoing a number of modernization efforts to address existing gaps in technology. In addition, there are a number of policy and technology modernization efforts that are taking place by the province that will impact the service delivery landscape at the City. While further progress on some of the recommendations are within the City's control to implement and advance, others may require cooperation and collaboration with the City's federal and provincial partners. Maximizing the benefits of the recommendations in this report will require a continued commitment from the City's partners, particularly the province, to actively engage and co-design solutions with the City. Many public statements from the province embrace human service integration, and so findings from this report are hoped to align well with the province's intended outcomes. Further assessment and strategic alignment is required in advance of successful implementation.

3) GTHA Regional Procurement Collaboration Assessment

Municipalities in the Greater Toronto and Hamilton Area (GTHA) currently collaborate on procurement activities primarily through joint-solicitation and local cooperative purchasing groups. The objectives of this project were to assess options to further promote regional collaboration on procurement; develop recommendations for consideration; enable policy alignment within the GTHA; and analyze available procurement data provided by participating municipalities to estimate potential cost efficiencies to be achieved through greater collaboration. In addition to the City of Toronto, this project included representation from the City of Brampton, Durham Region, Halton Region, City of Hamilton, City of Mississauga, and York Region.

As outlined in Attachment 3, the report notes there is opportunity for greater collaboration across the GTHA and identifies key areas of focus. In the current state, there is no defined governance structure to enable collaboration across the GTHA; and improvements could be made to the GTHA's procurement strategy and sourcing approaches. There is also opportunity to incorporate sustainable and social procurement policies, sharing leading practices information on complex and strategic procurements, and developing a collective perspective on procurement-related initiatives driven by other levels of governments.

Through a comparative analysis of potential collaboration model options and consultations with the stakeholder group, the report emphasizes the opportunity to leverage existing cooperative arrangements to best access a mature, skilled and well-governed organization. Within these arrangements, municipalities are able to expand collaboration on policies, best practices, and procurements. They can identify further potential opportunities to achieve cost efficiencies through the application of a variety of levers including leveraging economies of scale, exploring opportunities to standardize requirements, and harmonizing prices for similar goods and services.

While the achievement of full range of savings is dependent on several factors there may be some near-term opportunities to demonstrate success of regional collaboration. Staff will continue to collaborate with the GTHA regional group in addition to other municipalities across Ontario to identify mature purchasing cooperative organizations. Benefit realization will be directly correlated to participation and time to engage with cooperative arrangements.

Next Steps

The recommendations and findings identified in the three attached reports will inform future strategies for modernizing our financial decision-making to achieve Council's priorities and long-term financial sustainability. A number of the recommendations align with initiatives already being implemented by the City of Toronto. Further assessment and review will prioritize remaining actions for implementation over the long-term.

In addition, staff will continue to monitor future intakes of the Audit and Accountability Fund for further review opportunities for improvements to the City's financial sustainability and modernization efforts.

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ATTACHMENTS

Attachment 1: Digital Modernization of Revenue Services - Final Report
Attachment 2: Digitization of Needs-Tested Programs - Final Report
Attachment 3: GTHA Regional Procurement Collaboration Assessment - Final Report