

ZBR Program Update – January 2018

EXECUTIVE SUMMARY

The Zero-Based Review (ZBR) program complements The City of Calgary's other continuous improvement activities by adding a periodic, more thorough review of whether the right services are being provided in the right way. This work is especially important in the current economic climate when resources are limited but the demand for City services is not.

Eight ZBR reviews have been completed since 2012. In 2017, \$15 million was realized in annual financial gains as a result of these reviews, bringing the total realized to date to \$27.3 million. These gains are part of the total \$57.3 million (low estimate) to \$68.2 million (high estimate) in annual financial gains identified through the ZBR program. This is the first ZBR program status update report to present a year-over-year forecast of when the remainder of these financial gains will be realized. It also introduces progress tracking by individual recommendation, to give a more granular view than the previous reporting at the level of the whole review.

The City has also realized benefits in the form of service effectiveness, including better customer service, reduced environmental impact and improved public safety. These results are diverse in nature and may be harder to quantify, making it difficult to present them as a single headline measure. Administration is developing measures to better capture effectiveness gains.

While the program is now delivering substantial results, and the overall quality of the reviews is rising, the identification of new gains for 2017 is more modest than in previous years. This is due to resourcing challenges in the ZBR team throughout the year, including the loss of one position and delays in hiring staff. To ensure the continued high quality of the reviews, some significant delays have resulted. Work is underway to get the program back on track. Two reviews are currently underway and more are in preparation. The impact on results is, however, projected to continue through 2018.

This report presents updates on the progress and results of all current and past reviews (Attachment 1) together with case studies that illustrate the wide range of tangible benefits being delivered for Calgarians as a result of the ZBR program (Attachment 2).

Detailed updates are provided on the implementation of the Parks and Calgary Building Services reviews (Attachments 3 and 4). Finally, this report presents a progress report on the IT and Recreation reviews currently underway (Attachments 5 and 6).

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council:

1. Receive for information:
 - a. Zero-based Review (ZBR) Program Dashboard (Attachment 1);
 - b. Service Improvement Case Studies (Attachment 2);
 - c. Parks ZBR – Implementation Update (Attachment 3);
 - d. Calgary Building Services ZBR – Implementation Update (Attachment 4);
 - e. Information Technology ZBR – Progress Report (Attachment 5);
 - f. Recreation ZBR – Progress Report (Attachment 6).

PREVIOUS COUNCIL DIRECTION / POLICY

The ZBR program was created by Administration as part of its response to Council's direction to become "a more effective and disciplined organization" (C2011-55).

The program has evolved over time, driven by both the changing circumstances since its inception and the continuous improvement ethos of the ZBR program itself. Direction for the program is therefore contained in a number of previous reports to Council, including:

- The initial report establishing the program and setting up the pilot (FCS2011-31);
- A follow-up report, modifying some program parameters, reflecting lessons learned in the pilot (PFC2012-0492);
- Approval of the ZBR program for 2013 and 2014 (subjects and resources), with further method improvements (PFC2012-0713);
- Approval of the 2015-2018 ZBR program (subjects and resources), with further method improvements (PFC2014-0554);
- Two information reports prepared in response to a Council inquiry, detailing the relationship between ZBRs and Audits, explaining the costing methods used and proposing further enhancements (PFC2015-0903 and PFC2016-0518); and
- Approval of a new program mandate and reporting approach to enable the program to continue delivering results in the face of changing circumstances and new requirements (PFC2016-0883).
- The first overall ZBR program update presenting the status of all reviews, in line with the new reporting approach (PFC2017-0431).

BACKGROUND

The ZBR program is one of the tools that Administration is using to execute Council's five imperatives. As established in the Leadership Strategic Plan (C2014-0703), the ZBR program is part of Administration's Performance Management System, which is a disciplined approach to continuous improvement designed to better serve our customers, communities and citizens. This system is comprised of five interconnected elements (Figure 1).

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Figure 1: Performance Management System



The ZBR program draws on all elements of the Performance Management System to identify efficiency and effectiveness improvements. It has the greatest intersection with the “Service Review and Improvement” strand, where the ZBR program complements The City’s other continuous improvement activities by adding a periodic, more thorough review of whether the right services are being provided in the right way.

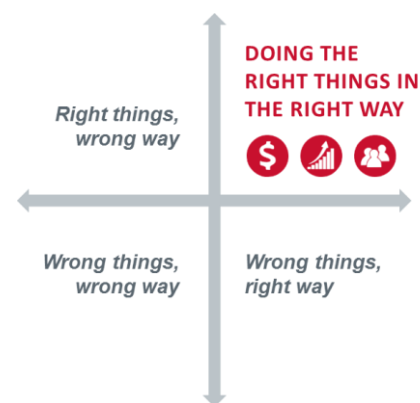
The integration of the “Service Review and Improvement” strand with the others is an important part of every ZBR. For example, employing an “Integrated Risk Management” approach allows for recommendations, and subsequent implementations, to effectively assess and balance risk versus benefits – this leads to more informed decision making. Another example is the review-wide consideration of “Performance Measurement and Accountability” that is built into measuring the success of new recommendations as well as instilling measurement and accountability into the ongoing operations and planning of the subject business area.

The ZBR program exists to:

1. Increase the value Calgarians get from their tax dollars by improving the efficiency, effectiveness and sustainability of services; and
2. Build the organization’s capacity for continuous service improvement.

This work is especially important when resources are limited but the demand for City services is not. The recent economic downturn has increased the pressure for Administration to use fewer resources without compromising service quality, and incremental budget cuts are no longer enough to address this challenge. By first asking fundamental questions about whether we are doing the ‘right things’, the ZBR program lays a foundation for true efficiency (Figure 2).

Figure 2: Effectiveness and efficiency



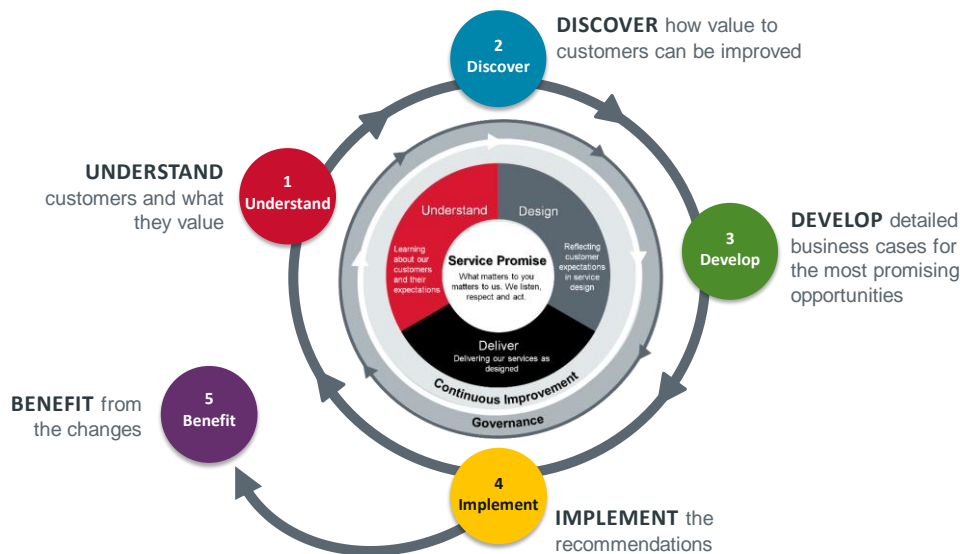
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INVESTIGATION: ALTERNATIVES AND ANALYSIS

ZBR Program Status: January 2018

ZBRs use a continuous improvement process based around The City of Calgary's Customer Service Approach (Figure 3), starting with the 'Understand' phase on the left side of the circle, below.



Figure 3: The ZBR continuous improvement process



ZBR projects are listed below by their stage in this process. ZBR Program Updates to PFC, like this report, occasionally offer additional detail on progress in attachments. The goal of this reporting is to bring timely progress updates on all projects. Information on where more in-depth detail can be found is also provided.

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Summary of Benefit & Implement Stages

Stage	Business Area	Last Update
	Fleet	PFC2012-0492
	Parks	This report: Attachment 3
	Roads	TT2015-0792
	Water Services	UCS2016-0169, next update in Q2 2018
	Fire	PFC2015-0695
	Calgary Transit	PFC2017-0431
	Water Resources	PFC2016-0660
	Calgary Business Services	This report: Attachment 4

Note on definition of terms below

The terms 'Benefits Identified' and 'Benefits Realized' found below refer to:

- Benefits Identified: A recommendation has been made that, when implemented, has a potential benefit associated with it and a plan to achieve these benefits is being developed or implemented.
- Benefits Realized: A recommendation has been implemented and benefits are being experienced financially and/or through non-financial improvements.

Overall Program Summary for Benefit & Implementation Stages

- Eight reviews have been completed since 2012 representing 67% of City services, as measured by September 2016 gross operating budget.
- Total annualized financial gains identified in these reviews are between \$57.3 million (low estimate) and \$68.2 million (high estimate).
- To date, the ZBR program has identified \$10 dollars in annual financial gains for every one-time \$1 dollar spent.
- Many of the recommendations from completed reviews have now been implemented and are resulting in real benefits for citizens. Details of these reviews (with PFC report dates) are presented in Attachment 1.
- In 2017, \$15 million in additional annual financial gains were realized.
- The total realized annual financial gains now amount to \$27.3 million.
- The City has also realized benefits in the form of service effectiveness, including better customer service, reduced environmental impact and improved public safety. These results are diverse in nature and may be harder to quantify, making it difficult to present them as a single headline measure. Administration is developing measures to better capture these effectiveness gains; in the interim, a collection of case studies is provided in Attachment 2 as examples.
- The timeline to realize benefits is dependent on several factors including when a ZBR was completed, the nature and complexity of the recommendation and reliance on sequencing with other projects. Some of the recommendations arising from ZBRs are relatively easy to implement and benefits are realized right away. Others are more


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fundamental changes and in these cases, while the benefits are often more significant, it can take several years for implementation to be completed and for benefits to manifest.

Specific Project Updates for Benefit & Implementation Stages

- Attachment 3 provides an update on implementation of the Parks ZBR. Two of six recommendations have been completed and four more are in a planning or implementation phase.
- Calgary Building Services has completed an implementation plan and has initiated implementation of recommendations ahead of schedule. All recommendations are scheduled for completion by the end of 2018 with financial benefits to begin in early 2018. Attachment 4 provides an update on this review.
- Water Resources will be providing an implementation plan and detailed update in Q2 2018.

Summary of Develop Stage


Stage	Business Area	Last Update
	Information Technology	This report: Attachment 5
	Recreation	This report: Attachment 6

- The IT ZBR Steering Committee has identified eight improvement opportunities that should be pursued further. Two of these opportunities have already been completed. The remainder will continue to be pursued in 2018. Further details are provided in Attachment 5.
- In the past, ZBRs were completed in full, prior to providing updates to Council. This is the first time that the initial results of a review have been presented as soon as the first opportunities have been completed. This improves transparency and removes a potential source of delay to implementation.
- The quality of reviews has also been increased, such that reviews are now more detailed and robust than in the past. In the IT ZBR, for example, the level of detail for each opportunity at the start of the Develop phase is comparable to that achieved at the end of the earliest reviews. This allows for increased confidence in the recommendations and reduces the risk that the identified benefits cannot in practice be achieved.
- A great deal of work has been done on the Recreation ZBR, and phase one is now nearing completion. The review is on track to deliver both direct benefits and indirect benefits, most especially through greater clarity on the service purpose and strategy. This clarity will ensure that Recreation focuses its efforts and resources on those specific programs and services that are most aligned with its mandate and purpose, in order to achieve maximum value (i.e. benefits in relation to cost). This work will result in a significant “paradigm shift” for Recreation over the long term. The output will inform future service planning via One Calgary. There have been some challenges, however, including changes in the Director, the ZBR Steering Committee Chair and in Corporate

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Initiatives staffing, all of which have affected the pace of the Recreation ZBR. In balancing time, cost and quality it is quality that is the key driver for the program, and the final report of the Recreation ZBR has therefore been delayed to ensure these high standards can be maintained. Administration will now report back on the results of this review in Q2 2018.

Summary of Discover & Understand Stages

Stage	Business Area	More Information
	Supply Land	Project delayed Project delayed
	Law Corporate Security Facility Management ESM	Foundational work delayed on four remaining projects

- As an outcome of the IT ZBR, additional opportunities with corporate-wide applicability have been uncovered related to the role and mandate of enabling services and the use of internal recoveries. Further analysis has been undertaken to understand these opportunities and build business cases to describe their potential impact to the organization. Administration is currently determining how best to progress these opportunities and will report back to Council on next steps by Q2 2018.
- Some early research work has been conducted related to scope a 'Land' ZBR, covering how the corporation addresses challenges and opportunities related to buying, managing and selling land. This project has been delayed due to internal resource constraints (see below) and is expected to be reinitiated later in 2018.
- Foundational work to build understanding in Supply, Corporate Security, Law, Facility Management and ESM has begun. Work will continue in 2018 and will inform the selection and scoping of future review areas.

Resource challenges in 2017 and 2018

As indicated in Attachment 1, resource constraints have caused several projects to be delayed or placed on hold in 2017. These are the result of the loss of one previously-approved position, as well as delays in hiring replacement staff (to address turnover). With the reinstatement of the lost position (via the November 2017 Adjustments process), and recent approval for exemptions to the hiring freeze, the program is expected to return to full staffing levels in 2018. The delayed and suspended projects will be re-initiated as resourcing allows. However, this delay will cause a future lag in results as fewer reviews were completed in 2017, and consequently fewer gains were identified. As well, even with approvals to hire replacement staff, it will take some time to recruit and on-board new staff, with the result that the impacts of 2017 staffing losses will continue to be felt for some time.

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It is still expected that the target of reviewing 80% of The City's services by 2020 will be met.

Data Development

In response to the direction of the Priorities and Finance Committee in the last ZBR Program Update in May 2017 (PFC2017-0431), work has been undertaken to better track the progress of individual recommendations including year-over-year forecasting of financial benefits. Greater detail has been included in the ZBR dashboard presented in Attachment 1.

Work continues to improve how effectiveness gains are reported (in addition to efficiency gains) and how the ZBR program reports on its objective of capacity building for service improvement within the organization.

While this work continues, Attachment 2 includes case studies that demonstrate both ZBR-driven improvements as well as continuous improvements undertaken across The City.

Stakeholder Engagement, Research and Communication

Many stakeholders were engaged in the creation of this report:

- Content was created and tested with the Recreation and IT ZBR Steering Committees, and all Directors of business units that have already completed or are in the midst of completing a ZBR.
- Staff across the organization collaborated to collect data on benefits realized to date as well as service improvement case studies.
- As agreed in an earlier report on ZBR program governance (PFC2015-0903), Administration provided an opportunity for Councillors to provide input to the internal service ZBRs in May and June of 2017. Further opportunity will be provided in 2018.

Strategic Alignment

The ZBR program is part of the Performance Management System, which in turn is one component of the Leadership Strategic Plan (C2014-0703). Along with these other elements, the ZBR program helps the organization respond to Council's five imperatives of integrated service delivery, engaged leadership, increased trust and confidence, a public service culture and investment and value. In particular, the ZBR program supports Stage 3 of the Leadership Strategic Plan "Road Map" as it is a tool to help improve organizational efficiency.

Social, Environmental, Economic (External)

There are no direct implications from this report.

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Financial Capacity

Current and Future Operating Budget:

The ZBR program helps the organization to manage operating costs, which is particularly important in the current economic downturn. This report presents identified and realized reductions in operating budgets.

Current and Future Capital Budget:

The ZBR program also helps the organization to manage capital costs. This report presents identified and realized reductions in capital budgets.

Risk Assessment

This report primarily focuses on ZBR program results achieved to date. Therefore, there are no significant risks directly associated with this report.

REASON(S) FOR RECOMMENDATION(S):

This report fulfills Administration's commitment to provide regular updates to Council on the ZBR program under new reporting arrangements, as agreed by the Priorities and Finance Committee in November 2016 (PFC2016-0883).

ATTACHMENT(S)

1. ZBR Program Dashboard
2. Service Improvement Case Studies
3. Parks ZBR – Implementation Update
4. Calgary Building Services ZBR – Implementation Update
5. Information Technology ZBR – Progress Report
6. Recreation ZBR – Progress Report