



TO: Chair and Members of the Board of Health

FROM: Bryna Warshawsky, Acting Medical Officer of Health

DATE: 2013 January 17

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## SHARED SERVICES REVIEW - PROPOSAL

### **Recommendations**

*It is recommended that:*

- 1) *The Board of Health approve PricewaterhouseCoopers's proposal for the Shared Services Review project as outlined in Appendix A; and further*
- 2) *Any 2012 municipal surplus from the cost-shared programs, to a maximum of \$135,000, be retained to fund the review.*

### **Key Points**

- PricewaterhouseCoopers has submitted a proposal to perform the Shared Services Review as requested by the Board, at a cost of \$105,000 - \$135,000 as detailed in Appendix A.
- 2012 anticipated surplus from the cost-shared programs could be retained by the Board to pay for the review.

### **PricewaterhouseCoopers's Proposal – Shared Services Review**

At the November 15, 2012 Board of Health meeting, the Board of Health endorsed the following recommendation:

*“That the Consulting Firm of PricewaterhouseCoopers be asked to submit a written proposal, including a project plan and cost estimates for conducting the review, to the Board of Health for review and approval prior to the commencement of the project and that this language be incorporated into the Terms of Reference.”*

At the December 13, 2012 Board of Health meeting, an update was provided ([Report No. 140-12](#)) regarding the work that had begun with representatives from PricewaterhouseCoopers (PWC). Since the December Board of Health meeting, PWC has submitted its proposal for the Shared Services Review. It is attached as [Appendix A](#). The proposal reviews the background of the project and key considerations, and provides a suggested approach to perform the work. It also provides an estimated cost of the project for each of the three phases.

As can be seen from the written proposal in [Appendix A](#), Phase I and II consist of gathering and integrating the information required to make preliminary recommendations and provide the Board of Health with an interim report. This is expected to take approximately seven weeks to complete, at an estimated cost of \$65,000 - \$75,000. The interim report will identify any potential efficiencies or cost savings in existing administrative functions, and will also identify which functions the Board may want to consider investigating further for potential sharing with the City of London and/or Middlesex County. Phase III of the review will involve a more in-depth analysis of the areas the Board decides should be

explored further. Phase III is anticipated to cost as much as \$40,000 - \$65,000, but this will depend on decisions the Board makes with respect to areas for further exploration in response to the findings of the interim report.

As per the [Terms of Reference](#) for this project, the PWC proposal has been presented to both the City of London and the County of Middlesex for their review.

Mr. Chirag Shah, Partner, and Mr. Scott Gilfillan, Senior Manager of the Audit and Assurance Group, for PricewaterhouseCoopers will be in attendance at the January 17<sup>th</sup> Board meeting to provide an overview of their proposal and to answer any questions Board members may have.

### **Potential Sources of Funding for the Review**

There currently is no identified funding source for this project. The following identifies considerations regarding funding the Shared Services Review:

- 1) In the past, the Health Unit had a budget to respond to corporate initiatives like this review. However in 2013, a budget reduction of \$145,000 was made to achieve a 0% municipal tax increase, thereby significantly reducing this budget as a potential source of funding. The remaining budget of \$108,356 has been earmarked for other projects.
- 2) In the past, one-time costs such as these could have been accommodated from within the operating budget through anticipated savings in salary and benefit, including those that arise from delays in filling vacancies (gapping). However, the need to find \$325,833 from position gapping has already been identified in developing the 2013 cost-shared budget. As the operating year has just begun, this amount of money from gapped positions has not yet been saved and further savings from gapped positions is not anticipated at this time.
- 3) A potential source of funding could be from savings identified by the review itself. As any potential savings through efficiencies is not known at this time, it is not recommended to rely on this as a source of funding for the review.
- 4) At the December 2012 Board of Health meeting, the Board received [Report No. 145-12](#) which provided an update on the 2012 operating budget. The report identified an anticipated year end surplus of approximately \$220,000 which could be used as a source of revenue for the project. This would involve establishing a reserve fund to cover the cost of the review to a maximum of \$135,000.

### **Conclusion**

Representatives from PricewaterhouseCoopers have provided a proposal for performing the Shared Services Review which is anticipated to cost approximately \$105,000 to \$135,000 to complete. It is recommended that the Board of Health approve the proposal and retain 2012 municipal surplus from the cost-shared programs to fund the project.

This report was prepared by Mr. John Millson, Director, Finance & Operations.



Bryna Warshawsky, MDCM, CCFP, FRCPC  
Acting Medical Officer of Health