

To: Warden and Members of County Council

From: Director of Corporate Services

Municipal Modernization Fund - Intake 2 Review Stream Final Reports

RECOMMENDATIONS

1. That County Council receive the Oxford County, Town of Ingersoll and Town of Tillsonburg Joint Feasibility Review of Accounts Payable Digitization Process final report prepared by Blackline Consulting, dated December 21, 2021;
2. And further, that Council authorizes staff to proceed with review of the recommendations contained in the aforementioned report with staff of the Towns of Ingersoll and Tillsonburg for a solution to support an Intake 3 Municipal Modernization Fund Implementation Stream project proposal currently under the Province's consideration.

REPORT HIGHLIGHTS

- Municipal Modernization Fund (MMF) joint project with the Towns of Ingersoll and Tillsonburg
- Final Joint Accounts Payable (AP) Digitization Process Review Project report to be submitted to the Province and published on the County's website by January 31, 2022
 - Key findings and recommendations suggest potential savings and efficiencies in staff time as much as 43%
 - Blackline Consulting will present their report at the Council meeting
- Remaining Intake 2 Review Stream Final Reports have been granted extensions to mid-March including:
 - Oxford, Elgin and Perth Counties Joint Municipal Paramedic Service Deployment Review
 - Oxford County, Town of Tillsonburg and City of Woodstock Joint Water and Wastewater Service Delivery Review
 - Oxford County and Lower Tiers Joint Road Operations and Maintenance Service Delivery Review

Implementation Points

In accordance with the MMF Transfer Payment Agreement (TPA) with the Ministry of Municipal Affairs and Housing (MMAH), the final AP Digitization Process Review Report, as attached to this report, will be submitted to the Ministry and posted on the County's website for the public's access and information by January 31, 2022.

Staff will continue ongoing review of the findings and recommendations contained in the consultant's final report in collaboration with staff of the Towns of Ingersoll and Tillsonburg for a solution to support the joint application pending Ministry approval under the MMF – Intake 3 Implementation Stream submitted in October 2021.

Financial Impact

The AP Digitization Process Review Stream project was awarded up to \$25,000 under a TPA with the MMAH. A competitive RFP process to retain a qualified consultant for the review resulted in an award at a cost of \$35,565 with \$10,565 being funded from the County's first allocation of the MMF.

Final instalment of the Province's financial commitment is subject to the County posting the final consultant's report on the County's website and submitting the report with supporting invoices to the Province by January 31, 2022.

At County Council's regular meeting held October 13, 2021, Council approved funding applications under Intake 3 of the MMF which included a joint AP Digitization Implementation Project in the amount \$285,000 - 65% funded by the Province (\$185,250) and 35% by the municipal partners (\$33,250 each – County, Ingersoll and Tillsonburg), subject to final approvals of each of the respective Councils, and pending Ministry funding approval.

If further research from staff determines an AP digitization solution as recommended in Blackline Consultant's report to be viable, costs for implementation will be presented to the respective Councils prior to proceeding. Funding approvals with respect to Intake 3 of the MMF are anticipated to be announced within a month from the date of this report.

Blackline Consulting has estimated cost for implementation ranging from \$273,000 to \$327,000 if all three municipalities were to participate, or approximately \$91,000 to \$109,000 each. There is no commitment or obligation on the part of the Towns to commit to the County's funding application, if it is approved by the Province.







Communications

The AP Digitization Process Review Report is an insightful guide that could be used by many municipalities in assessing their AP processes, and includes an adaptable AP Process Business Continuity Plan. Posting on the County's website will not only allow other municipalities to benefit from the process, it also provides our community the opportunity to learn and comment on how we are evaluating our processes to find efficiencies and long term savings through modernization.

This process has been discussed with the Treasurers of all the area municipalities over the course of the review and this report will be circulated to keep them informed and invite them to

participate an implementation plan, if approved. Some of the area municipalities have already implemented partial AP digitization processes.

Strategic Plan (2020-2022)

					
WORKS WELL TOGETHER	WELL CONNECTED	SHAPES THE FUTURE	INFORMS & ENGAGES	PERFORMS & DELIVERS	POSITIVE IMPACT
		3.iii.		5.ii.	

DISCUSSION

Background

In March 2019, the MMAH funded a one-time unconditional grant for small and rural municipalities intended to help modernize service delivery and reduce future costs by investing in projects such as: service delivery reviews, development of shared services agreements, and capital. The investment was intended to support small and rural municipalities' efforts to be more efficient and reduce expenditure growth in the long term.

The allocations were formula based, taking into consideration the number of households in the municipality, including urban and rural. As such, the County and all of the area municipalities received allocations. The County's allocation was \$725,000 a portion of which was allocated to conducting a Joint Service Delivery Review with all of the area municipalities. As for the remainder of the funds, Senior Management Team conducted a corporate-wide challenge for staff to submit proposals for projects designed to find efficiencies and cost savings in modernized enhancements to services. A short-list of the proposals was presented to Council and approved in October 2020.

Subsequently, in early 2021 the Provincial Government announced a second intake of the MMF. In response, the Senior Management Team initiated a second challenge seeking proposals for innovative initiatives that would improve efficiency of services delivery and reduce expenditure growth that would be eligible for funding under this program.

In light of the foregoing, proposals were received in the form of a Modernization Funding Request, designed for establishing a business case for proposed initiatives. In response, there were seven proposed initiatives received and submitted with six being approved for funding. Of the six projects approved, four were Review Stream projects and two were categorized as Implementation Stream projects. All of the Review Stream projects were joint projects including other municipalities, three of which include some of our area municipalities that may not otherwise have been possible due to the one-time implementation costs. Table 1 below provides a summary of the Review Stream projects that were approved and are being funded by the Province.

Table 1 Summary of the Review Stream Modernization Projects Approved – Intake 2

Modernization Projects – Intake 2 Review Stream	Approved Funding
Oxford County, Town of Ingersoll and Town of Tillsonburg Joint Feasibility Review of Accounts Payable Digitization Process	\$25,000
Oxford County, Town of Tillsonburg and City of Woodstock Joint Water and Wastewater Service Delivery Review	100,000
Oxford County and Lower Tiers Joint Road Operations and Maintenance Service Delivery Review	125,000
Oxford, Elgin and Perth Counties Joint Municipal Paramedic Service Deployment Review	150,000
Modernization Funding	\$400,000

Comments

The MMF guidelines for Intake 2 included deadlines for submissions on March 15, 2021, approvals to be announced in May, and a November 30, 2021 completion date for Review Stream projects. In light of funding approvals being announced in July 2021, project completion and final report deadlines for Review Stream projects were extended to account for the two-month delay, to January 31, 2022.

Nonetheless, three of the County's joint Review Stream projects were not able to be completed by January 31, therefore the Province authorized an extension to mid-March. The final reports for the three remaining Review Stream projects will be presented to Council in Q2 or Q3.

The final joint AP Digitization Process Review project report as prepared by Blackline Consulting, dated December 21, 2021 is attached to this report and will be posted on the County's website.

In summary, the purpose of the review was to find efficiencies in AP processes of the three municipalities involved to gain efficiencies and reduce costs in the long term through the objective lens of an independent third-party reviewer. The objective of the review was to develop a more automated business process that would increase efficiency, reduce the need for physical storage and improve access to AP information.

The review report contains a structured summary of the process and information gathered, along with the consultant's assessment of current processes and recommended future processes highlighting which systems would be used and a business continuity plan.

Through consultation with staff from the County and the Towns of Ingersoll and Tillsonburg, the consultant documented a current state process map and a recommended ideal state process map.

The consultant's recommendations arising from their findings includes generation of automated requisitions using workflow to document approvals and generation of purchase orders in the financial systems. They noted variances in maturity level of AP processes among the municipalities involved in the study and the benefits of optimizing those processes.

The other significant recommendation in the consultant's report is to implement Robotic Process Automation (RPA) to capture invoices at receipt, citing many efficiencies such as minimizing staff time spent on the AP approval process, allowing staff to concentrate on more business-critical tasks, as an example.

The report estimates time staff spend on the AP current state process and anticipated time savings by employing the recommendations in the report, indicating time savings (hours per year) to be a reduction of approximately 43%. It is important to note that, due to the nature of the RPA technology that is based on artificial intelligence, it learns and becomes more accurate and effective over time, therefore efficiencies would improve over time and not be immediately recognized at the time of implementation. In light of the foregoing, staff time savings will not necessarily translate into budget savings in salaries and benefits, rather staff time will be monitored and assessed for reallocation to enhance value-added support for our vendors, internal departments and community – improvements to internal controls and alternate invoicing and payment options, as examples.

Estimated implementation costs range from \$273,000 to \$327,000 collectively for all three municipalities (\$91,000 to \$109,000 per municipality) and ongoing costs are cited as ranging from \$6,600 to \$19,300 per year (per municipality), however the report infers those costs could be reduced by employing a centralized invoice processing station or seeking a Cloud based RPA solution.

To aid staff in learning more about the use of RPA technology in finding efficiencies in our AP processes, Blackline Consulting has provided a list of the more prominent vendors of RPA and references to case studies from those vendors – refer to Appendix A of the attached report.

Also requested as part of the review and recommendations for a proposed ideal state AP process map was a corresponding Business Continuity Plan to ensure the municipalities have an available plan to invoke in the event of an interruption in our operations. The resulting Business Continuity Plan provides various scenarios or degrees of interruption and steps to take to ensure continuity until resumption of normal operations.

Conclusions

The joint County of Oxford, Town of Ingersoll and Town of Tillsonburg AP Digitization Process Review project was made possible through the Province's Municipal Modernization Fund. The final report delivered to Council, the County's area municipalities and publicly through the County's website is in-keeping with the Provincial Government's intent to assist municipalities in reviewing service delivery with a view to finding means to enhance services and reduce future costs for taxpayers, even those beyond Oxford County.

Staff will continue to collaborate with our municipal partners and work toward sourcing out a proposed implementation plan and determine if the proposed cost savings and service enhancements can be achieved. A future report and recommendations will be forthcoming in the coming months.

SIGNATURES

Report Author:

Original signed by

Carolyn King, CPA, CA
Manager of Finance

Departmental Approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Michael Duben, B.A., LL.B.
Chief Administrative Officer

ATTACHMENTS

Attachment 1 – Accounts Payable Digitization Review Final Report, prepared by Blackline Consulting, dated December 21, 2021

Attachment 2 – Accounts Payable Digitization Presentation, prepared by Blackline Consulting