

NOTTINGHAM CITY HOMES

REPORT OF THE DIRECTOR OF FINANCE, ICT & GOVERNANCE

BOARD
13 MARCH 2008

SERVICE LEVEL AGREEMENTS WITH NOTTINGHAM CITY COUNCIL

1 SUMMARY

- 1.1 The Performance and Regulatory Committee receives a quarterly report of the progress in reviewing all of the SLAs with the Council. Following the recent management fee negotiations with the Council and the continuing slow progress in reviewing SLAs, an update is now brought to the Board.

2 RECOMMENDATIONS

- 2.1 Note the current situation regarding SLA reviews and endorse the proposed approach for the future.

3 PRIORITY AREAS

- 3.1 In order for NCH to achieve its objectives in 2008/09 SLA discussions have featured prominently at Partnership Board meetings between the Company and the Council. Some suggested cost reductions were put forward as part of the 2008/09 management fee proposals discussed with Council officers, but a number of these were not agreed.
- 3.2 The services that we buy from the Council can be broken down into three categories –
- Direct Services
 - Office Accommodation Related
 - Management/Professional Services
- 3.3 Of the direct services, we have completed reviews of drainage/drain testing and refuse collection and are satisfied that reasonable value for money is provided. Insurance services have yet to be reviewed, but this has been ranked as lower priority, since the total cost is low and the service provided is generally satisfactory. Garden assistance is a £1m service which has been reviewed for 2007/08, but alternative options for future delivery will be explored over the coming months. The remaining direct service is fleet management, which is inextricably linked to the repairs and maintenance tender process. The Council has been advised that we will no longer require this service from July. If Nottingham City Homes wins the bid a new fleet will be provided through an external provider at costs included within the bid, whereas if we lose the bid a fleet will be provided by the external contractor.
- 3.4 Office Accommodation for the Company is currently being reviewed and the Council are fully aware of this. Until that review is complete any required changes to services cannot be identified.

- 3.5 Of the management and professional services, we will continue with our reviews of ICT, Financial and Legal services, which collectively have a high cost. The progress with these has been rather slow, but pressure will be maintained by the Company's lead officers.
- 3.6 Three services on which we have particularly focused and decided that notice to terminate can be given are –
- Property Services Mechanical and Electrical Engineering
 - Human Resources
 - Client IT Services
- 3.7 Our own Property Services Department has an engineering capability with the skills that could manage this activity directly. Integration would bring economies of scale and savings to the service. We are advised by the Council that there may be TUPE implications, but that a very small number of staff would be affected.
- 3.8 The Company's Organisational Development Department is now sufficiently well developed to provide the full range of Human Resources services and discussions with the Council have been in progress for some time. The Council has indicated that there will no TUPE implications.
- 3.9 The overall costs of ICT for Nottingham City Homes have been benchmarked and are ranked 40th out of 48. Top quartile ALMOs have costs per property of less than half of the level here. Whilst the review of corporate ICT services needs to continue as rapidly as is practical, we now have the capability to take over the IT Housing Client responsibilities. It is essential that the Company determines and prioritises the effective use of its ICT capacity and it is critical for the development of the business. There will be TUPE implications for the Council staff involved.
- 3.10 The Council has been advised that we will no longer require it to provide the DPS Engineering, Fleet Management, HR or IT Client services.

4 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 4.1 The identification and realisation of cost savings will increase funding available to deliver better levels of service to NCH customers.

5 RISK AND FINANCIAL IMPLICATIONS

- 5.1 The work of reviewing all the SLAs is designed to bring about significant savings.
- 5.2 A key risk in achieving the savings target arises from delays in progressing the reviews.
- 5.3 The risks associated with holding and renegotiating Service Level Agreements with the City Council have been summarised in the table below together with an assessment of their likely impact on NCH's objectives and a statement summarising the mitigating actions adopted by NCH to manage and minimise risk.

<u>Risk</u>	<u>Likelihood</u>	<u>Impact</u>	<u>Mitigation</u>
NCC SLAs do not accurately reflect the services required by NCH.	HIGH	MEDIUM	NCC to provide summaries and detailed costings for all services provided within existing SLAs. NCH officers assigned to review services charged against those required by NCH for each SLA.
NCC SLAs include charges for services not received by NCH.	MEDIUM	LOW	As above.
Signed, agreed and approved SLAs are not in place for all services provided from or to NCC.	HIGH	MEDIUM	NCH officers assigned responsibility for updating and agreeing all SLAs with established NCC key contacts. Existing SLAs reviewed against past and current year budgets and actuals. Summary of all SLAs monitored by EMT and P&R Committee.
Current NCC SLAs do not provide VFM and/or include efficiency savings.	HIGH	HIGH	NCH officers assigned to review services charged against those required by NCH for each SLA. Key NCC contacts established to enable NCH officers to discuss and review the services included within each SLA. Benchmarking & market testing performed to identify possible future cost savings & current SLA inefficiencies.
The withdrawal from NCC SLAs effects the provision and/or quality of services provided to Tenants.	LOW	HIGH	Market testing performed to establish that current service provision can be provided by external suppliers. Tenant consultation used to inform decision making. SLA withdrawal period of 6 months provides contingency to ensure equitable service provision is maintained.

6 VALUE FOR MONEY & EFFICIENCY ISSUES

- 6.1 Benchmarking against charges made to other similar sized ALMOs indicates that there are significant opportunities to improve services at lower costs to NCH.
- 6.2 Controls have been put in place in an attempt to ensure that all current SLAs reflect the level of service desired by NCH and that these services are accurately reflected in the charges levied by the City Council, through the production of detailed supporting cost information.

7 EQUALITY & DIVERSITY IMPLICATIONS

- 7.1 None

8 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 8.1 VFM & Efficiency Strategy

CONTACT OFFICER: Julie Crook
 Director of Finance, ICT and Governance
 Hounds Gate
 0115 95957378
 julie.crook@nottinghamcityhomes.org.uk

DATE: 6 March 2008