

NOTTINGHAM CITY HOMES

Performance and Regulatory Committee

**REPORT OF THE DIRECTOR OF
FINANCE, ICT & GOVERNANCE**5th February 2008**SLA REVIEW PROGRESS UPDATE****1 SUMMARY**

- 1.1 This report is to update the Performance and Regulatory Committee on the current situation with regard to SLA reviews with the City Council.

As part of the company's Value for Money & Efficiency plans, NCH agreed to undertake a full VFM review of all services provided by NCC under the terms of an SLA. All SLA services were identified and a plan to complete full market testing of these services was developed with some being undertaken in 2006/07 and a handful carried over into 2007/08.

NCH officers were assigned to each service area and trained by Housemark and NCH Finance in how to approach the reviews and negotiate improved VFM. Key contacts were established in NCC with a 'barrier breaker' at every senior level appointed to push the reviews through within NCC. Monthly monitoring, including a regular review with the senior NCC contact was established.

2 RECOMMENDATIONS

- 2.1 The Company's Financial Regulations state in Sub-Section 11.6 that 'SLAs of less than £150,000 annual value may be signed off by the Chief Executive. SLAs of higher value must be approved by the Board'. It was subsequently agreed through a Resolution at the May 17th Board meeting that 'the authority to agree Service Level Agreements above £150,000 per annum shall be delegated to the Performance and Regulatory Committee.'

The Financial Regulations are currently being reviewed to ensure they are fit for purpose and the respective section on SLA will be amended to reflect this Resolution.

- 2.2 It is recommended that the Performance and Regulatory Committee agree with the proposals identified and highlighted in the appendix table attached, notably:

1. To acknowledge the intention to formally withdrawal from the following SLA;
 - Design and Property Services.
2. To approve the following 2007/08 SLAs agreed with the City Council – signed copy attached;

- Garden Assistance Scheme - £1,016,879.

3 PROGRESS UPDATE

3.1 The attached appendix summarises the current position, actions required going forward and the current, initial and revised 2008/09 financial year budgets.

3.2 Continued progress has been made with a number of SLA reviews since the last SLA update report was presented in October and further cost savings are likely to be delivered during 2008/09 as a result of this progress.

The City Council had previously confirmed that NCC officers would provide prompt support to NCH in completing these important reviews by the end of September so that the agreed notice period of six months could be exercised in time to take effect in 2008/09. However, this has not been the case in a significant number of instances.

Progress in agreeing up to date SLAs and establishing cost savings has also slipped for the following reasons:

- Changes in SLA service requirements;
- NCH staff turnover and sickness absence;
- Internal restructuring and consultation; and
- Staff resourcing pressures associated with the preparation and submission of the Property Services' tender.

NCH is committed to completing these reviews as soon as possible to maximise further efficiencies. A cost reduction target has been included in the preliminary 2008/09 financial year budget and further details of this are included in the budget report, considered elsewhere on the agenda.

3.3 A number of services remain the responsibility of the City Council e.g. CCTV and Streetscene. These will be picked up as part of the work with the City to review how best to deliver services relating to the public realm.

4 IMPACT ON 2 STAR STATUS

4.1 The Audit Commission has been critical of NCH's ability to control overhead costs. SLAs and recharges represent a very high proportion of NCH's costs and the monitoring of services received in return for these charges has been poor. A full review of services provided as well as the Value for Money and efficiency of these services is essential if we are to demonstrate and evidence that past weaknesses have been addressed.

5 PRIORITY AREAS

5.1 In order for NCH to achieve its objectives in 2008/09 the following SLA priority areas have been identified:

1. Establishment and subsequent agreement with the City Council of

detailed fully costed service specification requirements for the Information Technology, Financial Services and SX3 Support Services SLAs.

2. Value for Money and efficiency reviews, including benchmarking and market testing, for all services purchased under SLAs.

Establishment and implementation of robust saving plans designed to achieve targeted savings.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 6.1 The identification and realisation of cost savings will increase funding available to deliver better levels of service to NCH customers.
- 6.2 Benchmarking and market testing of services provided under current SLAs provides assurance and evidence that Value for Money is being considered by NCH and achieved through the renegotiation and/or withdrawal from City Council SLAs.

7 RISK AND FINANCIAL IMPLICATIONS

- 7.1 The work highlighted in Section 6 is designed to bring about significant savings.
- 7.2 A key risk in achieving the savings target arises from delays in progressing the reviews.
- 7.3 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 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	LOW	HIGH	Market testing performed to establish that

effects the provision and/or quality of services provided to Tenants.

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.

8 VALUE FOR MONEY & EFFICIENCY ISSUES

- 8.1 Benchmarking against charges made to other similar sized ALMOs indicates that there are significant opportunities to improve services at lower costs to NCH.

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.

Subsequently mechanisms have, or will, be put in place to perform market testing of all services received from the City Council to ensure that where it is established that Value for Money is not being obtained, NCH can withdraw from the SLA or renegotiate an equitable reduction in the City Council's contract price.

See also Section 7 above on risk management.

9 EQUALITY & DIVERSITY IMPLICATIONS

- 9.1 None

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

- 10.1 VFM & Efficiency Strategy

11 ATTACHED DOCUMENTS

- 11.1 SLA February 08 Update – Appendix A
11.2 Copy of the final signed 2007/08 Garden Assistance Scheme SLA

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