

NOTTINGHAM CITY HOMES

PERFORMANCE AND REGULATORY
COMMITTEE
13 MAY 2008

REPORT OF THE DIRECTOR OF FINANCE, ICT & GOVERNANCE

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 (VFM) Strategy & efficiency plans, NCH agreed to undertake a full VFM review of all services provided by NCC under the terms of an SLA.

NCH officers were assigned to each service area and made responsible for the following actions in relation to each City Council SLA:

- Establishing lines of communication with the key City Council contact(s);
- Identifying and documenting the services received and required by NCH;
- Liaising with NCC to cost the services received / required by NCH;
- Obtaining benchmarking information and/or market testing the cost of SLA services; and
- Either;
 - drafting and agreeing a new City Council Service Level Agreement in advance of each financial year; or
 - formally withdrawing from the SLA and establishing new agreements or arrangements required for alternative service provision.

2 RECOMMENDATIONS

2.1 The Company's Scheme of Delegation states in section 2, paragraph 14 that the Performance and Regulatory Committee has the authority to 'approve SLAs over the value of £150k'.

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

1. To acknowledge the formal withdrawal from the following SLAs:
 - Design and Property Services;
 - Human resources;
 - SX3 Support Services; and

- Fleet Management and Fleet Management Administration.

3 SLAs WITHDRAWALS – RATIONALE AND UPDATE

- 3.1 In a letter dated 22nd February 2008 the Chief Executive wrote to the City Council to formally bring to their attention the Company's intention to withdraw from a number of SLAs.

The rationale for withdrawing from each of the SLAs and an update on the progress made in establishing alternative arrangements for the related service provision has been summarised below.

It is important to note that the Company is required to give the City Council 6 months notice of its intention to withdraw from existing SLAs and therefore services will continue to be provided by the City Council, in relation to these SLAs, until August 2008.

3.2 Design and Property Services (DPS)

Withdrawal from the DPS SLA will result in the Company taking over the costs and responsibilities associated with the management of the following services:

- Fire alarm equipment, air conditioning, and dry riser maintenance;
- Emergency lighting, lightning conductors and periodic inspections; and
- Communal boilers, heating boilers and water hygiene.

It is felt that by managing these contracts in house the Company will be able to ensure that the works required are undertaken in line with legislation and that VFM is secured through cost reductions and/or improved quality and service delivery. A review of options available to the Company is currently underway and it is envisaged that some service elements may be carried out through the utilisation of the new repairs contract. Other more specific works such as legionella testing and air conditioning will be tendered as specific contracts, which are currently being drafted.

3.3. Human Resources

Historically, there have been a number of services included in the HR SLA, such as recruitment, where the City Council has provided limited support and, in practice, services have effectively been provided within the Company. The recent Company restructure has also provided the organisation with the opportunity to establish a new HR team with the capacity to ensure the organisation can effectively support its personnel support service requirements going forward.

Although the Company has formally withdrawn from the existing HR SLA the Director of Organisational Development is currently negotiating the continued provision of some specific areas of service support required by the Company e.g. OHU, counsel line, HR systems and Jobs on Line. The City Council is currently in the process of compiling full details of the costs associated with these services and to ensure VFM these will be used to market test and tender these services in the future.

3.4 SX3 Support Services

The Company is currently paying over £2 million to the City Council for IT services and benchmarking analysis with other Metropolitan ALMOs indicates that NCH's IT costs per property are in the bottom 20%. In getting to grips with these costs it is important that NCH takes over IT Client responsibilities and essential that it determines and prioritises the effective use of its IT capacity. A key part of being able to do this is to bring SX3 support services, and the associated staff resources, in-house.

To date discussions have taken place with the City Council around the process of NCH incorporating the SX3 team, notably which staff the City Council will retain and which they would expect to transfer to NCH under TUPE regulations. In the meantime information is being collated regarding the current services provided by Housing ICT so that plans can be made to ensure continuity via the new arrangements.

Enquiries are being made regarding the HMS support arrangements deployed by other similar ALMOS using Northgate. This information will be used to design the NCH HMS application support 'function'.

3.5 Fleet Management and Fleet Management Administration

Fleet Management is inextricably linked with the Company's successful repairs tender. As part of our tender submission we advised the City Council that we would be seeking to acquire our vehicle fleets directly from the private sector due to the need to replace a number of existing vehicles and Value For Money considerations associated with cheaper procurement.

Meetings have subsequently taken place between officers from the Company and the City Council to highlight the need for a phased withdrawal from the agreement in line with the delivery timetable for the new vehicles. Whilst final details of this have not been determined and will depend on actual delivery dates, the broad arrangements have been agreed and will be finalised as soon as this is possible. Total withdrawal from the SLA will not occur until the autumn when the very last vehicle is either handed back to the City Council or disposed of.

4 PROGRESS UPDATE - GENERAL

4.1 The attached appendix summarises the current position and actions required going forward with each SLA as well as the 2007/08 financial year outturn and revised 2008/09 financial year budgets.

4.2 Limited progress has been made with a number of SLA reviews since the previous P&R Committee SLA report due to resources being focused on establishing alternative arrangements for service provision required due to the withdrawal from SLAs highlighted in section 3 above.

As stated in the February SLA report, the City Council has been unable to provide the agreed support to NCH in completing a number of SLA reviews. This has limited the Company's ability to review the services and costs associated with these SLAs and make informed choices about

the future of service provision.

Progress in agreeing up to date SLAs and establishing cost savings also slipped during the 2007/08 financial year because of the following:

- 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 and ensure that cost reduction targets included in the 2008/09 financial year budget are achieved.

- 4.4 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.

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 and Financial Service 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 and plans highlighted in this report are designed to bring about significant reductions in SLA budgets and secure VFM savings.
- 7.2 The risks associated with holding, renegotiating and withdrawing from 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.

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 noted.

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

- 10.1 VFM & Efficiency Strategy
- 10.2 Scheme of Delegation

11 ATTACHED DOCUMENTS

- 11.1 SLA May 08 Update – Appendix A

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

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