

NOTTINGHAM CITY HOMES

PERFORMANCE AND REGULATORY COMMITTEE

11 NOVEMBER 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 It is recommended that the Performance and Regulatory Committee agree the proposed required actions highlighted in Appendix A (attached) and note the progress made in implementing actions post withdrawal, in part or in full, from the following SLAs:

- Design and Property Services;
- Human Resources;
- SX3 Support Services; and
- Fleet Management and Fleet Management Administration.

2.2 It is recommended that the Performance and Regulatory Committee approve the 2008/09 Garden Assistance SLA attached to this report (Appendix B).

3 PROGRESS UPDATE - SLA WITHDRAWALS

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. Progress made in establishing alternative arrangements for the related service provision has been summarised below.

3.2 Design and Property Services (DPS)

NCH have now received some paperwork from the City Council DPS team with regards to the elements of the SLA that the Company is taking back. NCH are using this information, and that previously provided by DPS, as well as collating the final data required through site visits.

Progress is being made on agreeing the price framework for the 3 remaining contracts that are still required by NCH under the formal terms of an SLA, notably:

- District Heating;
- Energy Management; and
- Lift Contracts.

3.3. Human Resources

Although NCH has formally withdrawn from the previous HR SLA, a number of services are still required by the Company and are to be purchased under the terms of a new agreement. The cost of these services is still under discussion to ensure that optimum value for money is realised. The interim Director of Organisational Development is currently considering updating the organisation's recruitment methods and the council has been given notice that this element of the SLA may terminate at the end November 2008.

3.4 SX3 Support Services

SX3 support team staff transferred across to the Company on 1st September 2008. The effect of the staff transfer on the respective 2008/09 SX3 SLA charge and the HRA Management Fee is currently under discussion with the City Council.

3.5 Fleet Management and Fleet Management Administration

The fleet replacement program was completed on the 23rd of October 2008. All vehicles, not being retained, have been returned to the City Council for appropriate disposal. Discussions are taking place as regards to the storage of vehicles and the security arrangements whilst disposal takes place.

It is proposed that the SLA with the City should cease on the 1st of November as all vehicles have been returned or transferred.

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 associated 2008/09 SLA budget.

- 4.2 Since the previous P&R Committee SLA report improved support from the City Council has led to significant progress being made in moving a number of SLA reviews near to completion. Subsequently, although no SLAs have been formally agreed and signed at the time of writing this report, the Company and the City Council have targeted the completion of several SLAs within the month.

NCH is committed to completing the outstanding SLA 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.

- 4.3 A number of services remain the responsibility of the City Council e.g. CCTV, Public Realm 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.
3. 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 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

11 ATTACHED DOCUMENTS

11.1 SLA August 08 Update – Appendix A

11.2 2008/09 Garden Assistance SLA – Appendix B

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