

NOTTINGHAM CITY HOMES

PERFORMANCE AND REGULATORY COMMITTEE

10 FEBRUARY 2009

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 ongoing review of services provided to the Company by the City Council (or vice versa) which are, or should be, explicitly defined and agreed under the terms of a formal Service Level Agreement (SLA).
- 1.2 The Company's Value for Money and Efficiency Strategy has been comprehensively reviewed and updated to set out the approach that NCH is taking to deliver VFM and efficiency in its business operations. The Strategy covers the period 2008-2012 and was approved by the Board in July 2008.

A key part of the Strategy is to review all current SLAs. NCH officers have been 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 the City Council 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 since withdrawing 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 following final 2008/09 SLA attached to this report:

- Waste Services SLA (formerly called 'Refuse Collection, including Skip Hire'); and

3 PROGRESS UPDATE - GENERAL

3.1 Appendix A summarises current progress with each SLA review as well as the actions required going forward and the associated 2008/09 SLA budget.

3.2 2008/09 SLA Savings Target

The original 2008/09 Company budget and level of HRA management fee agreed with the City Council were based on the assumption that the cost of City Council SLAs would be reduced by £300k (5% of the total SLA budget) during the year i.e. savings of £300k would be identified and delivered.

Subsequently, the process of identifying the Company's current and future requirements for services provided under the terms of an SLA, as well as a robust challenge of the associated costs proposed by the City Council, has identified significant savings across a number of areas, notably the constituent elements of the Financial Services SLA.

However, the level of the savings identified would have a significant impact on the City Council's ability to balance its 2008/09 budgets given that resource requirements across Council departments are already under close scrutiny due to 2009/10 budget concerns. NCH has therefore proposed that, in order to assist the City Council in achieving a balanced 2008/09 outturn position, the Council's 2008/09 SLA charge be reduced only by the amount necessary for the Company to achieve its 2008/09 SLA savings target against its original SLA budget provision.

In order to ensure that VFM is demonstrated in future years, 2009/10 SLA budgets will be agreed with the City Council based on actual costs and activity levels. It is therefore anticipated that further SLA savings will be secured by the Company in the 2009/10 financial year.

NCH Finance are currently awaiting confirmation from the City Council of their 2008/09 SLA budgets so that an annual SLA charge can be agreed for the year and the SLA savings target of £300k formally achieved within the Company budgets.

3.3 Since the previous P&R Committee SLA report, limited progress has been made in moving SLA reviews forward and a number of 2008/09 SLAs are yet to be formally agreed and signed by both parties. Although the services required by NCH under the terms of an SLA have been agreed in the majority of cases, the City Council has been unable to provide detailed costing information to support the proposed charges for a number of SLAs. This was commented on by the Audit Commission in their recent NCH Inspection Report as follows:

'The Council is not currently able to break down the costs of central services such as IT, finance and legal services which are provided to NCH under SLAs.'

NCH is committed to completing the outstanding SLA reviews as soon as possible to ensure it can demonstrate that all the services it is buying from the Council provide value for money.

4 PROGRESS UPDATE -

4.1 Progress made in establishing alternative arrangements for service provision in relation to SLAs withdrawn from in 2008/09 is as follows: -

4.2 Design and Property Services (DPS)

Partnership working with the City Council to put in place adequate arrangements to resource services in-house, complete works under the recently tendered repairs contract and benchmark and re-cost other service provision, is still ongoing.

Recent progress has been limited while the Company awaits further information from the City Council.

4.3 Human Resources

Having now withdrawn from two elements of the HR SLA (recruitment and employee wellbeing) testing is under way on a new e-recruitment system to be operated in-house and the employee wellbeing service is currently out to tender. The remaining two SLAs where the City Council has been retained as the service provider will be reviewed next year.

4.4 SX3 Support Services

SX3 support team staff transferred across to the Company on 1st September 2008. NCH is currently waiting for formal confirmation from the City Council of all 2008/09 SX3 related charges so that anticipated budget savings can be quantified.

4.5 Fleet Management and Fleet Management Administration

The fleet replacement program was completed in October 2008 and all vehicles, not being retained by NCH, have been returned to the City Council for disposal.

Discussions with the City Council as to a 'phased' 2008/09 SLA charge for both Fleet Management and Vehicle Repair & Maintenance are currently ongoing.

5 PRIORITY AREAS

5.1 In order for NCH to continue to achieve its objectives in 2008/09 and 2009/10 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 SLA;

2. Agreement of 2009/10 Financial Services' SLA charges based on actual costs and activity levels; and
3. Ongoing review of all services provided by the City Council under the terms of an SLA to ensure that service delivery is aligned to both business needs and the priorities of tenants (where applicable) and VFM is secured by the Company. Notably: -
 - Garden Assistance (£1.042 million).
 - Building Cleaning (£0.403 million).

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

6.1 The Company's 2008/09 Delivery Plan includes the objective:

'To be an excellent, efficient organisation which has high quality leadership and management, and delivers value for money'

6.2 The benchmarking and market testing of SLA services, savings targets included in budgets and ongoing renegotiation/withdrawal from City Council SLAs to ensure service delivery is aligned to the Company's requirements, evidences NCH's commitment to securing and delivering VFM.

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. The risk assessment also includes the likelihood and impact of each risk on NCH's objectives and a statement summarising the mitigating actions adopted by the organisation 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.	MEDIUM	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.	MEDIUM	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

The withdrawal from NCC SLAs effects the provision and/or quality of services provided to Tenants.

LOW

HIGH

services included within each SLA. Benchmarking & market testing performed to identify possible future cost savings & current SLA inefficiencies.

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 NCH is on course to achieve its 2008/09 SLA savings target and it is anticipated that further savings will be made in 2009/10 as SLAs continue to be:

- Reviewed and revised to align service delivery with NCH's requirements; and
- Updated to include accurate and fair charges which reflect the City Council's actual costs.

Market testing of services received from the City Council ensures that where it is established that Value for Money is not being obtained NCH can withdraw from the related SLA and secure alternative service provision or seek to negotiate 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 2008 to 2012

11 ATTACHED DOCUMENTS

11.1 SLA February 2009 Update – Appendix A

11.2 2008/09 Waste Services SLA – Appendix B

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