

## NOTTINGHAM CITY HOMES

PERFORMANCE & REGULATORY  
COMMITTEE  
12 MAY 2009

### REPORT OF THE DIRECTOR OF FINANCE, ICT & GOVERNANCE

#### SLA REVIEW PROGRESS UPDATE

#### 1 SUMMARY

- 1.1 This report is primarily 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).

Appendix A to this report includes a detailed analysis of the Company's 2008/09 SLA budgets, 2008/09 SLA charges and the initial SLA budgets for the 2009/10 financial year.

- 1.2 A key part of the Company's Value for Money 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.
- 1.3 The Company's 2008/09 budget assumed a target reduction in the City Council's annual SLA charges of £300,000. This was to be achieved through challenging the equity of current SLA charges and withdrawing from agreements, in order to access alternative cheaper service provision alternatives, where benchmarking or other information indicated poor Value for Money (VFM).

#### 2 RECOMMENDATIONS

It is recommended that the Performance and Regulatory Committee:

- 2.1 Agree the proposed required actions highlighted in Appendix A (attached to this report);
- 2.2 Note the net SLAs savings achieved in 2008/09 as set out in Appendix 2 (attached to this report); and
- 2.3 Note the progress made in implementing actions since withdrawing from the following SLAs:
  - (i) Design and Property Services;
  - (ii) Human Resources;
  - (iii) SX3 Support Services;
  - (iv) Fleet Management and Fleet Management Administration.

### **3 PROGRESS UPDATE - General**

#### **3.1 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).

The actions taken by the Company to robustly challenge City Council SLA charges and withdraw from some service provision in 2008 have resulted in a saving of £366,862 against the 2008/09 budget provision.

The decision to withdraw from the City Council HR SLA and an unbudgeted charge for customer relations support (currently disputed by NCH) have, along with a minor increase of ASB Legal costs, led to a 2008/09 budget overspend of £85,559. Work is ongoing to ensure that costs are brought in line with budgets and that service provision purchased reflects good Value for Money.

The net effect of 2008/09 SLA savings and budget cost pressures is a saving of £281,303, just £18,697 less than the original savings target of £300,000. Appendix B includes a detailed analysis of the budget saving/overspend associated with each individual SLA.

In order to ensure that VFM is demonstrated going forward the Company's 2009/10 SLA budgets have been set with the assumption that all City Council SLA charges will be agreed based on fair and equitable costing methodologies, notably in relation to financial services' SLA, as shown in Appendix A.

### **4 PROGRESS UPDATE - SLAs withdrawn from in 2008**

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

#### **4.2 Design and Property Services (DPS)**

A number of services covered by the historic DPS SLA are now being delivered within the Company's existing resources.

The Company will continue to source some services from the City Council and discussions in relation to a respective SLA for the 2009/10

financial year, and future periods, are progressing with the City Council.

#### 4.3 Human Resources

NCH has withdrawn from all HR services provided by the City Council with the exception of HR systems support. The Company is awaiting information on the City Council's proposed 2009/10 charge to ensure VFM is provided by the arrangements before commencing work on a formal SLA.

#### 4.4 SX3 Support Services

Having withdrawn from the SX3 Support Services SLA, the Company will continue to require access to the SX3 system. The costs associated with doing this, and a formal SLA agreement, are to be reviewed and compiled as part of the ongoing work in relation to IT SLAs.

#### 4.5 Fleet Management and Fleet Management Administration

NCH has withdrawn from all City Council fleet management arrangements, with the exception that it continues to lease 19 fleet vehicles. The annual charge is based on the costs incurred by the City Council having purchased the vehicles using prudential borrowing. These costs would have to be repaid regardless of where the Company purchases these additional vehicles from and hence the compilation of a formal SLA is not proposed. Future arrangements are to be reviewed in advance of the associated prudential borrowing being repaid in full.

### 5 **PRIORITY AREAS**

5.1 In order for NCH to continue to achieve its objectives in 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 (£1.074 million – 2009/10 budget).
  - Building Cleaning (£0.399 million – 2009/10 budget).

### 6 **IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES**

6.1 The Company's 2009/10 Delivery Plan includes the following objective:

- *'To be an excellent organisation'*

6.2 The benchmarking/market testing of current services, the SLA charge reductions assumed within budgets and the ongoing review of SLAs service delivery to ensure it is aligned to the Company's requirements,

evidence NCH's commitment to securing and delivering VFM as an excellent organisation.

## 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.

<b><u>Risk</u></b>	<b><u>Likelihood</u></b>	<b><u>Impact</u></b>	<b><u>Mitigation</u></b>
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.	LOW	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 scope for establishing further 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 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 NCH has achieved a significant reduction in its 2008/09 SLA costs of £281,303. 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 and benchmarking of services received from the City Council ensure that where it is established that Value for Money is not being obtained within current agreements, 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 SLA Savings and Cost Pressures – Appendix B

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

**DATE: 5<sup>th</sup> May 2009**