

Meeting: Customer and Central Services Overview and Scrutiny Committee

Date: 17th October 2011

Subject: Actions arising from the audit report on Service Level Agreements (SLA) for Shared Services with Bedford Borough Council

Report of: Cllr Maurice Jones , Executive Member for Corporate Resources

Summary: The report details the progress made against recommendations by Audit contained in the management action plan for rectifying existing control weaknesses as well as promoting improved arrangements for Service Level Agreements (SLA) for Shared Services with Bedford BC in the future.

Advising Officer: John Unsworth, Assistant Chief Executive, Resources

Contact Officer: Terry Gittins, Procurement Policy and Process Manager

Public/Exempt: Public

Wards Affected: All

Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

The strategy has indirect implications for the following Council strategic priorities.

- Supporting and caring for an ageing population
- Educating, protecting and providing opportunities for children and young people
- Managing growth effectively
- Creating safer communities
- Promoting healthier lifestyles

Financial:

Charges for services provided may not be recovered and late payment may have a detrimental effect on the Council's cash flow if SLA's are not correctly in place. Commitments for Shared Services costs may not be represented accurately on the Council's ledger, payment of invoices may be delayed and services may not be properly authorised in accordance with the Council's financial governance framework.

Legal:

Implementing this strategy will help the local authority and its partners to deliver its Shared services and to mitigate, or minimise, risks associated and fraudulent activity within the system and its processes

Risk Management:

The following were considered to represent the potential key risks to the system in failing to deliver the relevant Council service objectives:

- An adequate record of shared services may not be in place

- There may be inadequate governance arrangements for the Shared Services
- The roles and responsibilities of each party to the SLA may be unclear
- The charges and costs for each shared service may not be fully and clearly stated in the SLA and may result in poor value for money to CBC
- Performance monitoring of Shared Services may not be effective

Staffing (including Trades Unions):

TUPE rights are defined as part of the SLA templates

Equalities/Human Rights:

Personal Data under the Data protection act are covered in the SLA.

Community Safety:

Business Continuity is covered in the SLA

Sustainability:

N/ A

RECOMMENDATION(S):

1. **That the Committee notes the issues arising from the audit report on Service Level Agreements for Shared Services with Bedford BC and the progress made in the first months of delivery of the resulting actions;**
2. **That the Committee notes the process, scope and timetable for the remaining actions stemming from the audit report.**

1. This report covers the progress made against recommendations by Audit for rectifying existing control weaknesses as well as promoting improved arrangements for Service Level Agreements (SLA) for Shared Services in the future.
2. In undertaking its review, Audit identified 5 detailed risks as follows:
Risk 1 – An adequate record of shared services may not be in place
Risk 2– There may be inadequate governance arrangements for the Shared Services
Risk 3 - The roles and responsibilities of each party to the SLA may be unclear
Risk 4 - The charges and costs for each shared service may not be fully and clearly stated in the SLA and may result in poor value for money to CBC
Risk 5 - Performance monitoring of Shared Services may not be effective
3. A Member-led Task Force undertook a similar and complementary review during the same period and endorsed Audit's recommendations in full.

4. Progress is shown against the 16 action plans requested against each risk (see Appendix A), however, whilst progress has been made in some areas, there have been delays in others due to conflicting priorities, a focus on resolving outstanding debts between CBC and Bedford and on ensuring that the processes do not override the imperative to deliver mutually beneficial services. Remaining matters will be progressed over the coming months and prioritised where service delivery is being impeded or financial concerns arise.

The approach taken to the operation of the SLA on contracts, whether new or amended is that the governance across the whole suite of SLAs should be light touch, with a consistent corporate led approach to documentation, financial control and dispute resolution. However the operation of SLAs, contract management and service issues should remain the primary responsibility of service directorates.

5. Progress So far –

- The SLA list is coordinated by the Corporate Procurement team, as they were initially tasked with creating the SLA on behalf of the CBC shadow authority and working with Bedford Borough Council). Procurement has now amended the SLA contracts register in line with the recommendations.
- The Procurement team has amended the SLA template in accordance with the recommendations from the SLA audit report. This remains subject to discussions with Bedford Borough to confirm agreement.
- The Procurement team has created an SLA extension template, to encourage a consistency of approach in dealing with the host authority.
- The Payments team introduced a new “No Purchase Order No Pay” scheme, introduced from April 2011, which will return invoices to all suppliers including those against the SLA’s if they do not include a PO number.
- Outstanding Income and outstanding invoices are now regular reviewed and chased with Bedford Borough; which has reduced disputed invoices, This has made significant progress in reducing mutual indebtedness between the Councils and will continue until the outstanding debts are at a low and routine level and old disputes resolved.

Next steps in summary

- Service directorates will supply updates against the new SLA register to procurement who will maintain and update the register;
- The SLA template will require Bedford Borough sign off prior to the two councils using it (Bedford Borough have been contacted re changes)
- The SLA extension template will require Bedford Borough sign off prior to the two councils using it (Bedford Borough have been contacted re changes)
- Guidance notes for completing new SLA’s will be updated (they were produced by legacy councils) -
- The service directorates will formally document progress on the following outstanding items against each SLA
 - Contract monitoring & KPI’s
 - Governance performance
 - Operational meetings

- Risks
- Annual reviews
- Budget monitoring

Appendices:

Appendix A – (Updated risks, recommendations and actions log)

Appendix B – Current SLA schedule

Risk 1 – An adequate record of shared services may not be in place

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
1	An SLA tracking sheet is currently being maintained. An SLA register should be developed and the current tracking sheet would form a good basis for the register. It was noted that the current spreadsheet does not include the following categories: SLA start and end dates, cost and charging details, SLA monitoring arrangements and key BBC contacts.	<i>The council may not be aware of all the SLAs for Shared Services and hence be unable to demonstrate effective management of these services and costs.</i>	The current SLA tracking sheet should be developed to form an SLA register, and the register enhanced to include details of: SLA start and end dates, cost and charging details, monitoring arrangements, key BBC contacts. Priority: Medium	An SLA register to be formulated and enhanced based on the current tracking sheet to include details of SLA start and end dates, cost and charging details, monitoring arrangements, key BBC contacts. Responsible Officer: John Unsworth- ACE, Resources/ Procurement policy officer	31 st July 2011
RAG	A	SLA Register in place, and sent to service areas to populate with start and end dates, cost and charging details, monitoring arrangements, key BBC contacts.			31 October 2011

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
2	<p>This audit review identified two SLAs that had been omitted from the current SLA spreadsheet although one of these was found to have, in most part, ceased. The value/ cost of the agreements was not included for two SLAs. Additionally, where values are stated, it is unclear whether these are indicative or actual.</p>	<p><i>The council may not be aware of all the SLAs for Shared Services and hence be unable to demonstrate effective management of these services and costs.</i></p>	<p>An exercise should be undertaken within the Directorates to ensure that all SLAs are included in the register and the data is complete.</p> <p>Priority: Medium</p>	<p>Details of all existing SLAs to be collated and communicated to the Procurement & Contract Management Team.</p> <p><u>Responsible Officers:</u> This action was placed on hold by the ACE, Resources, pending further progress on the SLA agreement.. Terry Gittins, Procurement Policy officer, Corporate Resources Sandra Einon, Programme Manager, Childrens Services Julie Ogley- Director of Social Care, Health & Housing (or nominated officer) Jane Moakes- AD, Community Safety, Public Protection, Waste and Leisure (the above referred to elsewhere in this report as SLA responsible officers)</p>	<p>31st July 2011</p>
RAG	RA	<p>SLA Register sent to service areas for updating and to populate with start and end dates, cost and charging details, monitoring arrangements, key BBC contacts.</p>			<p>30 November 2011</p>

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
3	The officers responsible for maintaining and monitoring the SLA register have not yet been fully determined. It is expected that this role will be undertaken by the Procurement and Contract Management section and the Contract Champions within each Directorate. This register could, for example, run alongside the contracts register.	<i>The SLA register may not remain current and up to date.</i>	The arrangements for the maintenance and monitoring of the SLA register should be agreed and then embedded within the Directorates. Priority: High	Role of the Procurement & Contract Management Team to be clarified as owners of the SLA register, and this to be communicated to each Directorate. Responsible Officer: John Unsworth, ACE, Resources, Procurement Policy officer	31 st May 2011
RAG	G	SLA Register in place, and sent to service areas. Ownership has been clarified through the earlier issue of this report and will be reinforced.			Complete
4	There is currently no written guidance for preparing and operating SLAs except the SLA template.	<i>Current and future SLAs may not be complete and robust and may result in poor service delivery and value for money.</i>	Guidance is developed for the following areas: - The development of an SLA and its contents. - Extension or renewal of an SLA and - The completion or termination of an SLA. Priority: Medium	Procurement & Contract Management team to develop guidance for management of SLAs including completing the SLA template, extending and terminating SLAs. Responsible Officer: John Unsworth- ACE, Resources – Procurement action	31 st July 2011
RAG	R	Guidance was given by the legacy procurement teams on how to complete the SLA. Amended guidance will be issued after Bedford Borough agreement on changes to the SLA			30 November 2011

Risk 2– There may be inadequate governance arrangements for the Shared Services

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
5	Three of the sample of eight Shared Services examined were not supported by a current SLA. In all cases the SLA had been for one year and then extended for a further year but this had not been formally documented.	<i>The shared service may not be supported by a current SLA and the arrangements for the shared service may be unclear.</i>	<p>A template document should be developed to record extensions to SLAs.</p> <p>Priority: Medium</p> <p>Extensions to the terms of an agreement should be formally documented and signed off by both parties.</p> <p>Priority: Medium</p>	<p>Formal extension template for the ongoing SLAs to be drafted and provided to each Directorate.</p> <p>Responsible Officer: John Unsworth- ACE, Resources, Procurement Policy officer</p> <p>Formal extensions for the continuing SLAs to be signed by the relevant officers once extension template is available.</p> <p>Responsible Officer: John Unsworth - ACE, Resources Julie Ogley- Director of Social Care, Health & Housing (or nominated officer)</p>	<p>31st May 2011</p> <p>31st July 2011</p>
RAG	G	SLA Extension Template in place, and sent to service areas. Extensions to the agreement referred to are still in discussion and will be documented			31 October 2011

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
6	No Governance Board meetings have taken place in the format detailed in the SLA (i.e. including Directors and an elected Member). It is reported that governance issues have been discussed by senior management at other meetings although this is often not formally recorded.	<i>Current SLAs may no longer be fit for purpose, a shared service may no longer meet the needs of both councils, and risk management arrangements may not be in place or formally documented.</i>	For each SLA, the following governance issues should be considered on an annual basis through a joint meeting: <ul style="list-style-type: none"> • setting the strategic direction, • monitoring risk • ensuring that SLAs remain fit for purpose and • the shared services meet the needs of both councils and formally recorded. <p>Priority: Medium</p>	CMT considered in late 2009 that a Governance Board would not achieve the benefits originally expected, Governance matters in relation to SLA performance will be addressed at senior service level and within individual service directorates. CMT have reaffirmed their decision as a response to this report, especially as no such meetings have taken place since April 2009. Responsible Officer: SLA responsible officers	31 st May 2011
RAG	G				Complete, no further action

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
7	<p>In addition to the governance arrangements detailed in the SLA template, CIPFA's "Sharing the Gain" recommends that the membership of the Governance Board should include elected members at cabinet level.</p> <p>The CIPFA guidance also recommends setting up a Service and Customer Forum to provide feedback on service performance.</p> <p>These arrangements may or may not be relevant to smaller- scale shared services.</p>	<i>The membership of the Governance Board does not reflect CIPFA guidance.</i>	<p>Consideration should be given to whether elected members from each council should be included on a Shared Services Governance Board, and whether Service and Customer Forums should be set up for shared services where appropriate.</p> <p>Priority: Medium</p>	<p>See 6 above. This does not apply in the absence of a Governance Board.</p> <p>Member engagement and responsibility for this SLA activity is via the normal Council governance channels of Portfolio holders and Executive in respect of operational matters and via Audit Committee in respect of internal controls.</p> <p>Responsible Officer: SLA responsible officers</p>	31 st May 2011
RAG	G				Complete, no further action
8	<p>Management Board meetings have not taken place in the format detailed in the SLA.</p> <p>Operational Meetings have not always been held on a quarterly basis, as indicated in the SLA.</p>	<i>The implementation of the SLA and the review of performance data and customer specific service issues may not be effective.</i>	<p>Management/ Operational meetings should be held at least quarterly and clearly minuted to comply with the terms of the SLAs.</p> <p>Priority: Medium</p>	<p>Management/ Operational meetings to be held quarterly and be clearly minuted.</p> <p>Responsible Officer: SLA responsible officers, as appropriate.</p>	31 st July 2011
RAG	R	SLA Register in place, and sent to service areas to populate monitoring arrangements. Management meetings will be checked after a quarterly cycle			30 November 2011

RISK 3 - The roles and responsibilities of each party to the SLA may be unclear

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
9	<p>The review of the SLA template and the 8 SLAs sampled identified that in most cases the following key elements were missing or lacked adequate detail:</p> <p>(i) The roles and responsibilities of key officers e.g. who is responsible for monitoring and periodically reviewing the SLA, the assignment of any statutory responsibilities, responsibility matrices are incomplete and some posts have changed or no longer exist.</p> <p>(ii) An indication of the value of the agreement or a breakdown of the costs charging e.g. previous year outturn plus inflation, net/ gross of income.</p> <p>(iii) A full description of the services being provided.</p> <p>(iv) The requirements for compliance with financial and contracting</p>	<p><i>Omissions from the template and operating SLAs may lead to a lack of clarity over responsibilities, basis and value of charges, scope, and financial procedures; this may result in unexpected costs, poor service delivery and/ or reputational damage.</i></p>	<p>The SLA template should be expanded to include guidance and details for the following:-</p> <p>(i) Roles and responsibilities of key officers</p> <p>(ii) cost of the service being provided, including details on the treatment of income and expenditure streams, grants and capital and revenue items as appropriate</p> <p>(iii) scope and detail of the services provided</p> <p>(iv) compliance with the financial and contracting procedures of the host Authority</p> <p>(v) specific treatment of any grant income for the service and variations to it</p> <p>(vi) invoicing arrangements and payment terms</p> <p>(vii) joint and several liability, insurance and indemnity arrangements</p> <p>(viii) addresses of both authorities</p> <p>(ix) agreement date of the SLA.</p> <p>Priority: High</p> <p>The current operating SLAs should be reviewed to reflect the expanded areas of the revised template.</p>	<p>SLA template to be enhanced to include the details identified by the audit review, but taking account of the need to keep arrangements proportionate.</p> <p>Responsible Officer: John Unsworth- ACE, Resources, Procurement policy officer</p> <p>Continuing SLAs to be reviewed by Directors on a one by one basis as</p>	<p>31st May 2011</p> <p>31st July 2011</p>

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
	<p>procedures.</p> <p>(v) The nature and treatment of grant income for the service and implications for variations to grant funding.</p> <p>(vi) Invoicing arrangements and payment terms.</p> <p>(vii) A section on joint and several liability, insurance and indemnity arrangements.</p> <p>(viii) Addresses of the parties to the SLA.</p> <p>(ix) The agreement date of the SLA.</p>		Priority: Medium	<p>necessary to reflect the revised SLA template.</p> <p>Responsible Officer: SLA responsible officers, as appropriate.</p>	
RAG	A	SLA Template has been updated with all the recommended changes (see appendix B). These need to be cleared with Bedford Borough Council to gain their approval .Bedford Borough Council have been contacted and are reviewing the updated SLA Template.			30 October. 2011

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
10	<p>Documentation to demonstrate that governance arrangements are being applied is not being maintained.</p> <p>Examples were found of:</p> <ul style="list-style-type: none"> - No Governance and Management Board meeting minutes. - No schedules to support variations to the SLA duly signed off. - No risk registers. - No issue record logs. - No annual reviews duly signed off by both parties in most cases. <p>All these documents are required by the SLAs.</p>	<p><i>Agreed variations to the SLAs may not be transparent or clear.</i></p> <p><i>Risks and significant issues may not be identified and managed, and shared services may not operate effectively.</i></p> <p><i>There may be inadequate evidence of the application of effective governance arrangements for the SLAs.</i></p>	<p>The following documentation should be maintained in accordance with the SLAs:</p> <ul style="list-style-type: none"> - Governance/ Management meeting minutes. - Variations to the SLA schedules. - A risk register. - An issue record log for significant incidents. - An annual review. <p>Priority: Medium</p>	<p>Documentation for each SLA to be maintained to include (in accordance with the existing SLA requirements):</p> <ul style="list-style-type: none"> - Management/ operational/ governance meeting minutes. - Variations to the SLA schedules. - A risk register. - An issue record log for significant incidents. - An annual review. <p>Responsible Officer: SLA responsible officers, as appropriate.</p>	31 st July 2011
RAG	R	This will be checked during the next cycle of SLA reviews			30 November 2011

Risk 4 - The charges and costs for each shared service may not be fully and clearly stated in the SLA and may result in poor value for money to CBC

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
11	For 3 of the SLAs examined, the apportionment of costs between the Councils has not been reviewed to ensure that they are still equitable.	<i>The apportionment of costs may not reflect the level of service provided to each Council.</i>	The apportionment of costs should be reviewed on an annual basis as part of the annual review process. Priority: Medium	Apportionment of costs should be reviewed on an annual basis as part of the annual review process. Responsible Officer: John Unsworth, ACE - Resources (or nominated officer) Julie Ogley- Director of Social Care, Health & Housing (or nominated officer)	31 st July 2011
RAG		The agreed timetable did not reflect the annual review cycle, which is dependent on each SLA's life cycle and the arrangement made within directorates. It is expected that the SLAs will be reviewed for this action by the end of the calendar year.			By 31 December. 2011
12	For one of the sampled SLAs, there were unpaid invoices over 6 months old, totalling some £462,000, representing income due from Bedford Borough Council. This income was received after the audit review and prior to the finalisation of this report.	<i>Charges for services delivered may not be recovered.</i> <i>Late payment may have a detrimental effect on the Council's cash flow.</i>	Any outstanding income should continue to be pursued with BBC. Priority: High	All outstanding income relating to SLAs to be pursued with BBC in co-ordination with service areas. Responsible Officer: John Unsworth- ACE, Resources/Procurement team	31 st May 2011
RAG	A	Outstanding Income and outstanding invoices are regular reviewed and chased with Bedford Borough; this will continue to be an ongoing process. Good progress has been made in reducing the mutual debt			ongoing

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
		owing between the two Councils			

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
13	For 3 of the sampled SLA's, purchase orders had not been raised until the invoice was received (only applicable for the CBC hosted SLA's).	<i>The commitments for Shared Services costs may not be represented accurately on the Authority's ledger. Payment of invoices may be delayed. Services may not be properly authorised in accordance with the council's financial governance framework.</i>	A purchase order for Shared Services costs should be recorded on SAP when the commitment arises. Note – The new “No PO no Pay” scheme being introduced from 1/4/11 will return invoices to suppliers if they do not include a PO no. Priority: High	A purchase order for Shared Services costs will be recorded on SAP when the commitment arises. <u>Responsible Officer:</u> John Unsworth, ACE - Resources (or nominated officer) Julie Ogle- Director of Social Care, Health & Housing (or nominated officer)	31 st May 2011
RAG	G	Training and Instructions have been undertaken by the Procurement team on the importance of raising PO's in advance of receipt of invoice. Any retrospective PO's are monitored and reported to directors monthly			Complete

Risk 5 - Performance monitoring of Shared Services may not be effective

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
14	KPIs and their agreed target levels have not been identified in 2 of the 4 SLAs hosted by CBC. In another CBC hosted SLA, KPIs are detailed but target levels are not set (only applicable to the CBC hosted SLAs).	<i>Mechanisms are not in place to measure performance of the Shared Services.</i>	KPIs together with agreed target levels should be determined and included in the SLAs. Priority: Medium	KPIs and their agreed target levels to be determined and included in the SLAs where appropriate. Responsible Officer: John Unsworth, ACE - Resources (or nominated officer) Sandra Einon, Programme Manager, Childrens Services	31 st July 2011
RAG	R	This work is in hand but not yet complete.			31 October. 2011
15	Performance data available for the SLAs is limited, hence performance monitoring is poor. KPIs have not been reported to BBC, CBC management and governance groups for 3 of the SLAs examined.	<i>Mechanisms are not in place to measure performance of the Shared Services.</i> <i>Poor service delivery may not be identified resulting in poor value for money and/ or reputational damage.</i>	Performance monitoring should be developed and KPIs should be reported to CBC and BBC management on a quarterly basis. Priority: Medium	Performance monitoring to be developed and KPIs to be reported to CBC and BBC management on a quarterly basis where appropriate. Responsible Officer: SLA responsible officers, as appropriate.	31 st July 2011
RAG	R	Confirmation is being sought that these are operating on a quarterly cycle.			31 October 2011

Ref.	Findings	Risk Associated with Finding	Recommendations	Agreed Action and Responsible Officer	Target Date For Completion
16	Regular budget monitoring reports have not been provided to BBC and governance groups for 3 of the SLAs examined.	<i>There may be a lack of transparency in the financial position of Shared Services.</i>	Regular budget monitoring reports should be provided to BBC. Priority: Medium	Regular budget monitoring reports to be provided to BBC. Responsible Officer: John Unsworth, ACE - Resources (or nominated officer) Sandra Einon, Programme Manager, Childrens Services	31 st July 2011
RAG	R	This work is in hand but not yet complete			31 October 2011