

SERVICE LEVEL AGREEMENTS

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1.

INTRODUCTION

In the current climate of tighter budgets and pressure on resources, many public sector organisations, including local authorities, are outsourcing services to external organisations under 'service level agreements' or 'service level contracts.' Local authorities are also providing services to others through service level agreements, as in the case of Irish Water. Service level agreements are also being used internally within organisations, guiding interaction between different sections of the organisation such as between central support services and delivery units.

Therefore, local authorities are both commissioners and suppliers when it comes to service level agreements. In this report we examine the nature of service level agreements, including the advantages and disadvantages involved in their implementation. A number of examples are highlighted, including references to good practice templates.

The report is primarily targeted at those local authority staff who are not particularly familiar with or aware of service level agreements. It is intended as a short, general introduction to the subject.

2.

DEFINING AND DESCRIBING SERVICE LEVEL AGREEMENTS

2.1 WHAT IS A SERVICE LEVEL AGREEMENT (SLA)?

A service level agreement (SLA) is defined as a contract between a service provider and a customer. It details the nature, quality, and scope of the service to be provided. It is also sometimes referred to as a 'service level contract' (<http://www.businessdictionary.com/definition/service-level-agreement.html>).

In more detail, Hiles (2000) defines a SLA as 'an agreement between the support service and the user quantifying the minimum acceptable service to the user.' Hiles also notes that SLAs are particularly useful 'in time-critical processing' and that they may be complex and lengthy or simple one-page documents, but, are mainly seen 'as indispensable to providing good service and sound relationships between vendor and customer.' The Office of the Attorney General in New Zealand (2004) outline that 'the international infrastructure management manual, *Creating Customer Value* defines service levels as service parameters or requirements for a particular activity or service area against which service performance may be measured. Such service levels can relate to dimensions of, for example, quality, quantity, reliability, responsiveness, environmental acceptability, and cost.'

Blackwell and Dixon (2003) in their analysis of SLAs, highlight that the key difference in the use of SLAs appears to be in their application:

For example, service level agreements can either be applied to the provision of internal services by one area within an organisation to another (Boyd & Proctor, 1995; Bucholtz, 1999) or to the delivery/receipt of services with an *external* organisation (Rozwell, 2000). When applied to internal service provision, the SLA forms an agreement between the parties (Hiles, 1993; Boyd & Proctor, 1995; Karten, 1998; The Art of Service, 2001) while its use with external organisations is often that of a contract (Cooperman, 1995) which may be legally binding (Blackwell and Dixon, 2003).

Similarly, CIPS (2005) explain the difference between internal and external SLAs: 'Internal SLAs are not intended to have legal consequences, since customer and service provider are members of the same organisation. There will also be no monetary compensation, although non-compliance may be penalised indirectly'.

The Oakleigh Consulting white paper on '*Developing Service Level Agreements in Local Government*', notes that when assessing local authorities' use of resources, the local government sector needs to find the best ways of integrating both support and service

provider functions to provide value for money to the customer. The Oakleigh Consulting white paper stresses that 'in this context, the SLA can be adapted as a critical management tool, especially if it is seen as part of a wider performance management framework. It can lay the groundwork for a consistent 'customer-driven' approach, not just to the outside world but to the network of internal customers of support services' (Oakleigh Consulting Ltd., White Paper). External SLAs will have contractual implications. It is recommended that they are generally a part of the outsourcing contract and should be treated as a schedule (or part of a schedule) to the agreement.

2.2 WHAT ARE THE MAIN COMPONENTS OF AN SLA?

As noted by Blackwell (2002) the commonalities in the use of service level agreements are greater than the differences, and include negotiation, agreement, quantifying service levels, and clarification of responsibilities.

Negotiation. In order to ensure optimum service provision arrangements, all aspects of the SLA (including the responsibilities that will be undertaken by both parties) must be negotiated between the provider and the customer. As pointed out by Hiles as 'a joint exploration', the process of negotiation facilitates 'a growing understanding of the needs and constraints on each side' (Hiles, 1994, p 14).

Agreement. The process of negotiation should result in an agreement. Establishing agreement on all aspects of the service level agreement is fundamental to its successful implementation. The process of negotiation and agreement has the benefit of 'educating' both parties in the needs, priorities and constraints of the other, resulting in more informed and intelligent customers and providers. As stated by Karten (1998, p 1.6) 'the very process of establishing an SLA helps to strengthen communications, so that the two parties come to better understand each other's needs and concerns'.

Quantifying service levels. The agreement will quantify service outcomes and levels (through performance indicators), defining what the customer will receive. Quantifying service levels involves examining the customer's requirements to establish the benefits and cost justification of various service levels (Hiles, 1993, p 3). The agreed level will 'provide a mutually agreed basis for assessing ... service effectiveness' (Karten, 1998, p 1.6), 'place assessment on an objective basis' (Hiles, 1993, p 2) and 'assist in managing customer expectations and perceptions' (Hathaway, 1995, p 131).

Clarification of responsibilities. In order for the service provider to supply a quality service both the provider and customer must fulfil responsibilities and obligations. The SLA documents and communicates these agreed responsibilities.

However widely the application of service level agreements might vary from one organisation to another, they generally share the attributes described above - that is, they are negotiated and agreed, with particular attention given to quantifying service levels and the responsibilities of both parties.

The literature (CIPS, 2005; Blackwell, 2002; Hiles, 1994; Hiles, 2000) points out that not all SLAs will follow the same format, but, in broad terms, the majority comprise of the following components:

The status, aims and objectives of the parties involved. These will normally relate to the political goals of government. Consistency between government departments is important here. It is important to ensure that providers' purpose and objectives with regard to the services under agreement are clear and in line with those of the commissioner.

A delineation of responsibilities. This is a central aspect of the agreement and must identify areas of individual and shared responsibility. Identifying the legal basis for this delineation may be necessary.

The nature and level of services to be provided. Parties to an agreement need to determine the level of detail required in this matter. Targets may be set to define the level of service. With regard to setting quality standards, a distinction can be drawn between (a) quality issues focused on service delivery (items such as waiting times, communications etc.) and (b) quality issues concerning the outcomes of professional interventions. It is much easier to specify quality standards for (a) than for (b). In the case of professional quality, it is more likely that agreements will seek to ensure that quality assurance procedures are in place.

The method of service delivery. Are services to be delivered by the supplier directly, or through licensing, contracting or other indirect forms of delivery? What use of shared services is envisaged?

Values and/or principles underpinning service delivery. While there might be divergence in organisational values, the agreed outcome and performance goals should be based on a shared understanding of the values determining the desired outcomes.
The duration of the agreement. Agreements should be subject to review after a defined time period.

Accountability/monitoring for tasks and means through which accountability/monitoring is to be provided. Accountability to whom, for what and how are core elements of any agreement. Therefore, any reports, audits, evaluations or reviews should be linked to this.

Means of resolving disputes. This may involve arbitration by a third party.

Means of amending the agreement. A mechanism for agreeing on any amendments to the agreement is necessary.

Means of reward or sanctions. This may include reduced or increased allocations, ability to retain income etc.

More generally, it is important to remember that service level agreements, whilst they are formal documents, are based on a process and represent the outcome of a relationship. Developing an effective service relationship typically involves answers to the following questions, as identified by the Treasury Board of Canada (<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25761§ion=text>):

- What services am I receiving and for how much? What am I providing and what is the basis of recovery if any? Stable, long-term service relationships are based on win-win propositions. The client receives value for money while the provider successfully delivers the service while covering their costs through appropriation or some other basis of recovery.
- How will it work? Successful service relationships can sour over seemingly minor operational misunderstandings. Therefore, the parties should clarify governance, relative roles and responsibilities, related decision-making powers and approval processes, and put mechanisms in place to solve and/or mitigate issues in a timely fashion. The implications of client compliance with service provider standards should also be fully understood.
- How do we get there? Implementation of a new service relationship has an impact on both clients and providers and often demands a level of commitment and resourcing that can stretch the capacity of both parties. Implementation of a new client/provider or collaborative arrangement typically involves changes in roles, responsibilities and processes, the implementation of new technologies or interfaces, the training of users and support staff, and the transfer and/or conversion of data. The parties should define the implementation approach, timeframes, responsibilities, and resource and skill requirements.

2.3 PRINCIPLES OF SETTING SERVICE LEVELS

The CIPS (2005) report underlines that 'the purpose of setting service levels is to enable the customer to monitor and control the performance of the service received from the provider against mutually agreed standards. Mutually agreed service levels are benchmarked for both customers and providers. Specifically for customers, the minimum acceptable level of service is that required to meet the present requirements of a particular function, activity or organisation, and against which required levels can be increased, reduced or deleted in the future. Similarly, for providers, service levels indicate promised minimum standards to which they must adhere.' The report particularly notes that '*when service levels are not met, the onus is on the provider to take appropriate remedial action.*'

The CIPS report (2005) notes that 'there are four main principles that should be observed when agreeing service levels. Service levels should be:

1. Reasonable, since unnecessarily high service levels may entail higher charges and focus the attention of service providers on those aspects of service that are being monitored, with possible reduction of attention to non-monitored aspects.

2. Prioritised by the customer, that is, customers should identify the aspects of a required service that are important and prioritise them in order along an agreed scale. Thus for example computer software errors may be categorised as: (1) 'critical'; (2) 'major'; (3) 'urgent'; (4) 'important'; and (5) 'minor'. A three-point scale might include criteria that are: (1) 'most important'; (2) 'important'; (3) 'less important'.
3. Easily monitored, this means avoiding the specification of levels that are subjective, intangible or incapable of quantification; for example, statements such as 'the provider will furnish a high level of service' are meaningless.
4. Readily understood by the staffs of both customers and providers.'

2.4 DEVELOPING SLAS

The CIPS (2005) report stresses that introducing SLAs should be seen primarily as a phased process and importantly, include the following six steps:

1. **Understanding the 'baseline' position.** How are services really working at present? What are the current customer and service provider expectations? To what service standards are staff working at the moment? Do they know what the main outputs are for key activities?
2. **Understand the drivers & demands likely to be placed on the SLA implementation process.** Is there a stated need for market testing or benchmarking? What is the level of interest in understanding the costs associated with certain activities? Are there known efficiency gaps/shortfalls that the SLAs may be expected to address? Where is external scrutiny likely to lie?
3. **Initial consultation with service providers/customers.** Who are the customers? Who is going to 'own' the negotiation process up to final sign-off of SLAs? Who needs to be directly involved with reviewing iterations of SLAs? Who needs to be kept informed of progress but not directly involved?
4. **Agreeing a framework for SLA development.** This will include getting the basics agreed up front: i.e. one SLA for all customers or tailored SLAs for different customer groups? Is a general customer charter needed? What is the standard reporting/monitoring process?
5. **Developing detailed SLAs with providers and customers.** This will need to be a carefully managed, iterative process with clear milestones & endpoints. Think about maximising use of limited staff time by facilitated consultation events & designated 'owners' of each review stage.
6. **Agreeing implementation and roll-out plans.** The authority will need a clear route-map, with identification of any trial periods (e.g. to collect necessary cost and output data) and responsible personnel. It can often be extremely useful to factor in a 'shadow running' period for SLAs, after which the authority can take stock and make any final changes before rolling out for real. Implementation is best managed as a separate stage from the development of SLAs.

The literature notes that any SLA will need to be 'fit for purpose' for an organisation and it is often useful to build in an evaluation stage into the implementation plan, to pick up the main learning points which, for example, could be outlined in a continuous improvement (CI) strategy, covering core elements of culture, communication, clarity of purpose, and continuous improvement (change and innovation)). These principles are exemplified in the UK Department of Business, Innovation and Skills (BIS) Continuous Improvement Strategy, published in 2012.

With regard to the format of SLAs much of the literature stresses advice relating to the format of SLAs which can be summarised by the acronym KISS (Keep It Short and Simple). Often, the agreement is separate from the specification, with the more detailed specification and other documentation mentioned in and attached to the SLA. SLA formats also vary according to whether the service is externally or internally provided. Outsourced SLAs can sometimes be produced in a standard format furnished by the external provider, who is experienced in dealing with SLAs. Where this is the case, such agreements should be subject to close scrutiny by the purchaser as they may tend to favour the provider.

Making use of experts is particularly important. In respect of information systems outsourcing, Lacity and Hirschheim point out that: 'During negotiations, the vendor uses a host of their technical and legal experts to represent their interests. These experts thoroughly understand the way to measure information services and how to protect their interests. In order to counterbalance the vendor's power, customers should have experts to protect their interests ... Two types of outsourcing experts are recommended – a technical expert and a legal expert.' Although such experts are expensive they help to prevent excessive charges and conditions.' (CIPS report (2005)).

The CIPS report (2005) also stresses that service level reports should be furnished at agreed intervals. Lacity and Hirschheim recommend that such service reports should:

- document the agreed-upon service level
- state the service performance for the current time period
- indicate exception reporting for missed measures
- provide a trend analysis of the performance from previous periods.

2.5 THE ADVANTAGES AND DISADVANTAGES OF SLAS

The literature on SLAs (Beaumont, 2003; CIPS, 2005; Karten, 1998) highlights a number of advantages and disadvantages of SLAs:

Advantages

- That customers for, and providers of, specific services are clearly identified. For all outsourced services, it is important to specify minimum acceptable service levels and to establish procedures to ensure that the agreed levels are being met and to consider whether they need to be reviewed

- Attention is focused on what a particular service or services actually do, as distinct from what it is believed they do. This is critical to ensure that service levels are met adequately from the outset.
- Customers are more aware of what services they receive and what additional services and levels of service a provider can offer
- It is clear what the real needs and levels of service required by the customer are, and whether these can be modified at a possibly reduced cost. A robust review mechanism ensures that the agreement can be modified as service levels are improved or if dimensions of the agreement need to be amended by any of the stakeholders as the service is innovated
- Services and service levels that add value can be distinguished from those that do not. A robust review mechanism underpinned by performance indicators ensure that identification of services that are working well and those that need to be improved or discontinued.
- Customers have a heightened awareness of what a service or level of service costs and can then evaluate the service or level on a cost/benefit basis. Having an agreement provides the detail on specific services and enables benchmarking of performance against other service providers and options.

Disadvantages

- The joint drafting of SLAs, installation of measurement procedures and negotiation of SLAs are costly to both customers and providers
- There is a potential increase in bureaucracy and paperwork
- Internal providers of services may be treated as external suppliers rather than as colleagues within the same organisation
- Staff training may be needed in the working of SLAs and to overcome possible initial resistance to their introduction
- The need to select specific metrics to measure performance can end up with the supplier department chasing the numbers, rather than making the decisions that provide the best outcome to the customer department. This is true of any key performance indicators (KPIs)

2.6 REASONS FOR SLA FAILURE

Keating and Portillo note various tendencies to be avoided as they may lead to SLAs that fail:

- Tendency to include everything possible
- Tendency to have too much detail

- Tendency to include things which are not measurable
- Tendency to not be honest about current difficulties, and set unrealistic targets.

There are a number of common reasons for service level agreement (SLA) failure, including:

- lack of commitment by customers and service providers
- lack of an inadequate support structure, for example, failure to implement the SLA concept through a project team, appoint an SLA manager and hold regular service level review meeting
- problems with additions to workloads, for example, SLAs require an additional reporting system and, internally, transfer pricing. Attention should be given to compensating for such extra work by relieving staff concerned of some existing duties
- issues with some SLAs are too detailed and some SLAs are not detailed enough
- inadequate staff training relating to the purpose, advantages and implementation of SLAs. (CIPS report, 2005)

Often, the main reason for failure can be put down to lack of commitment, from the supplier and/or the commissioner. To overcome issues such as those highlighted above, the CIPS report (2005) recommend that 'service review meetings should be held frequently during the early days of an SLA, but, will eventually settle down to a regular fixed meeting schedule.' They also suggest that particular aspects of key performance indicators may be monitored at varying intervals. Such meetings should conform to a set agenda and the proceedings should be properly minuted and circulated.

Failure to monitor SLAs can lead to problems of accountability when auditing occurs, as illustrated by an audit undertaken by the City of Dallas city auditor of an SLA between AT&T and the communication and information services department of the City of Dallas regarding management and monitoring of their voice and primary data network. The audit found that due to lack of sufficient data and processes to ensure data collection, AT&T was unable to show compliance with the terms and conditions of the SLA. Lack of contract oversight and monitoring by the department was a contributory factor (Office of the City Auditor, 2007).

In a similar vein, the Comptroller and Auditor General, in a review of cash balances in the Road Safety Authority, found that the service level agreement between the Department of Transport, Tourism and Sport and the Authority provides for a performance review but that a formal review of planned and actual outputs was not conducted in 2012. The Comptroller and Auditor General further noted that 'service level agreements between departments and public sector bodies should include a small number of relevant performance indicators covering the volume and quality of services provided by the body so that performance can be effectively monitored and reported' (Comptroller and Auditor General, 2012).

An audit of 200 cross-agency agreements, including SLAs, conducted by the Australian national audit office showed an inconsistent application of key provisions across the agreements and between agencies (Australian National Audit Office, 2010). The majority of agreements usually provided a good explanation of roles and responsibilities, and the objectives were usually stated. However, it was found that additional background information to better convey the broader purpose and context of the arrangement, and more consistent linking of the objectives to desired outcomes, would improve the clarity of agreements in many instances.

Few agreements were found to include requirements for risk identification, assessment or mitigation strategies. While establishing an agreement can, in itself, be a useful mechanism for managing and reducing risks in cross agency arrangements, clearer recognition and documentation of potential operational risks, including shared risks, can help agencies in planning for the management and early resolution of problems.

A further finding was that while many agreements mentioned review, few included the review's timing or mechanism. And of the one third of agreements that specified measurable performance indicators, a significant proportion of these could improve their overall performance reporting by better aligning the performance indicators to objectives and outcomes. The audit stated that where relevant, inclusion of clearer specifications on funding arrangements, particularly the nature and source of funds, would help to convey the significance and materiality of the arrangements. This additional visibility would assist agencies in focusing monitoring and other compliance activities on more substantial agreements where performance against budget commitments is necessary (Australian National Audit office, 2010).

3.

SOME EXAMPLES OF SERVICE LEVEL AGREEMENTS

Specific examples of service level agreements are outlined below, both from Ireland and the United Kingdom. These examples illustrate some of the diversity and challenge associated with developing service level agreements.

3.1 IRELAND

Irish Water and Local Authorities

In 2013, the Oireachtas passed two pieces of legislation concerning the Government's water sector reforms: The Water Services (No.1) Act 2013 was enacted on 20 March 2013 and The Water Services (No.2) Act 2013 was enacted on 25 December 2013. DECLG highlight that 'The Water Services (No.2) Act 2013 transferred statutory responsibility for water services to Irish Water and provided for local authorities to act as agents for Irish Water, with this relationship being expressed through Service Level Agreements'. The agreements signed between Irish Water and individual local authorities are based on a generic template which should be read in conjunction with the Framework for Service Level Agreements which issued from the Labour Relations Commission and associated Addendum dated 3 October 2013. See:

Framework for a Service Level Agreement, <http://www.environ.ie/en/Publications/Environment/Water/FileDownload,35139,en.pdf> ;

Framework for a Service Level Agreement – Addendum, <http://www.environ.ie/en/Publications/Environment/Water/FileDownload,35165,en.pdf>; and

a Generic template of Service Level Agreement between Irish Water and a Local Authority, <http://www.environ.ie/en/Publications/Environment/Water/FileDownload,35140,en.pdf>

Enterprise Ireland and local authorities

Another useful example is the framework of a Service Level Agreement between Enterprise Ireland and City/County Council, in respect of the delivery of services via the Local Enterprise Offices (LEOs), May 2013. 'This framework provides details of the roles of the respective bodies in terms of service delivery and operational arrangements, policy and support. Details are included on budgets, exchequer funding, allocation and accounting; information sharing; time frame of transition and agreement, including the SLA Review. A summary of the agreement is provided including signatories and the appendices contain templates on: LEO Enterprise Development Plan Template; Table of LEO Supports/Services; the Evaluation and Approvals Process; National Enterprise Policy

and Enterprise Ireland, including, functions of Centre of Excellence.’ http://www.djei.ie/publications/enterprise/2013/Framework_Service_Level_Agreement_EI_LAs.pdf

Food Safety Authority and local authority veterinary service

The service level agreements between the Food Safety Authority of Ireland and the local authority veterinary service are another useful template with a follow-up review process with specific outcomes. The Food Safety Authority of Ireland is responsible for the enforcement of all food legislation in Ireland, which is carried out through service contracts with official agencies. These service contracts outline an agreed level and standard of food safety activity that the official agencies perform as agents of the Authority. As part of its legal mandate, the Food Safety Authority of Ireland is required to verify that the system of official controls is working effectively. For the purposes of assessing the delivery of official controls by the local authority veterinary service, the follow up and close out of non-compliances against the requirements of food law identified during official control inspections was audited. Two examples are provided here of the audits with Limerick County Council (www.fsai.ie/WorkArea/DownloadAsset.aspx?id=11383) and Offaly County Council (www.fsai.ie/WorkArea/DownloadAsset.aspx?id=11384) respectively.

In these service level agreement examples, Limerick County Council (the local authority) and Offaly County Council (the local authority) have entered into service contracts with the FSAI. The local authority, through the local authority veterinary service (LAVS), is responsible for the implementation and enforcement of national and EU legislation as it applies to establishments under their supervision. It is a requirement of the service contract that the local authority shall ensure that official controls are carried out regularly; on a risk basis, and with appropriate frequency. As part of its legal mandate, and in accordance with schedule 5 of the service contract, the FSAI is required to verify that the system of official controls is working effectively. For the purposes of assessing the delivery of official controls by the LAVS, and in light of a finding from the Food and Veterinary Office (FVO) General Audit in 2008 relating to follow up actions, it was decided to audit the follow up and close out of non-compliances against the requirements of food law identified during official control inspections. Compliance by the local authority with regard to relevant food legislation, adherence to the terms and requirements of the FSAI service contract as well as conformance with relevant documented procedures was assessed. (FSAI, 2012 (a) and 2012(b))

The Environmental Protection Agency and Department of the Environment, Community and Local Government

An annual service level agreement between Department of Environment, Community and Local Government and the Environment Protection Agency sets out ‘service ownership, accountability, roles and responsibilities of both the Department of Environment, Community and Local Government and the Environment Protection Agency (EPA) with a view to ensuring the EPA is discharging its statutory functions in an efficient and effective manner and commensurate with the resources allocated to it to enable it to discharge those functions.’ (EPA, 2014) In particular, the agreement identifies the distinctive roles of both organisations, their mutual commitments and expectations, and provides the

basis for ongoing engagement between them, but, it is not intended to replace existing reporting or accountability requirements. It is envisaged that the service level agreement will become an integral part of strategic and operational framework for the EPA and will be fully integrated with strategic planning cycle, workforce planning, annual work plans and financial allocations. It is highlighted that the key reporting tool for the outputs and outcomes to be delivered will be the EPA annual report. The service level agreement between Department of Environment, Community and Local Government and the Environment Protection Agency (2014) is available at: https://www.epa.ie/pubs/reports/other/corporate/sla/Service%20Level%20Agreement%202014%20-%20EPA_DECLG.pdf

3.2 THE UNITED KINGDOM

Using service level agreements at local level

Guidance issued by the Improvement and Development Agency (I&DEA) recommended the use of service level agreements in relation to the delivery of local performance service agreements (PSAs) introduced by the New Labour government in the 1990s¹. The guidance noted that service level agreements help local authorities, and their partners, to clearly establish responsibilities, accountabilities and 'ground rules' at the beginning of the local PSA that can help to avoid confusion or disagreements at a later date. The SLA is intended to set out a clear set of objectives for each party to deliver. It is also noted that rewards for delivering these objectives (or penalties for not delivering the agreed objectives) can also be established at the outset.

A specific example is given in the guidance of a service level agreement drawn up between the London Borough of Hammersmith and Fulham and the local voluntary organisation 'Standing Together Against Domestic Violence' (<http://www.lge.gov.uk/idk/aio/1712845>)

SLAs between the third sector and local authorities

The Association of Chief Executives of Voluntary Organisations (AVECO) published a factsheet for Third Sector Leaders as *An Introduction to Commissioning and Tendering*, http://thcvs.org.uk/sites/default/files/Intro-to-commissioning-and-tendering_2_0.pdf (www.aveco.org.uk) The fact sheet serves as a basic introduction to the issues raised by the governmental procurement processes and what this means for the third sector. Service level agreements are seen as a useful tool 'if you are a relatively new or small organisation, the idea of expanding to take on a full long term local authority contract might seem a little scary at first. One way to trial your capacity to deliver the service might be to operate under a Service Level Agreement (SLA) with the local authority.'

The factsheet states that 'the SLA is a negotiated agreement between the service provider and the customer.' In particular, 'the SLA records a common understanding about services, priorities, responsibilities, guarantees and warranties. Each area of service scope should have the 'level of service' defined. The SLA may specify the levels of availability, serviceability, performance, operation, or other attributes of the service such as billing. This is particularly relevant if the type of service you are proposing is a new one for your area. A service level agreement will enable you to trial the potential service and see how

¹ While PSAs were discontinued by the Coalition government, the points made here with regard to SLAs remain pertinent

it works in your borough'. (http://thcvs.org.uk/sites/default/files/Intro-to-commissioning-and-tendering_2_0.pdf)

SLA between local authority and the community

Herefordshire Councils have produced sample SLAs for neighbourhood development plans, orders and community right to build orders. These are posted on their website (www.herefordshire.gov.uk/media/6383003/sla_master.pdf). They confirm how the Council will undertake its statutory duties, the level and extent of the technical advice and guidance it will provide. They contain timetables for the local authority's responses e.g. 'two weeks following the end of the publicity period to agree the NDP area', or 'Referendum within 60 days of the decision document upon the Inspectors report'. They set out the precise technical support and advice that will be provided under the following topic headings:

- Published advice- web links to the on line resources.
- Professional advice – named officer contact details.
- Initial meeting – officer to give overview of procedures and issues
- Provision of background data/ evidence – list of advice, maps and information.
- Draft Neighbourhood Development Plan – list of advice.

The Service Level Agreement makes it clear what the local authority will not provide:

- Writing documents.
- Undertaking primary survey work.
- Attend every meeting/ consultation event organised.
- Direct financial support.

It also has a section on the obligations for the Parish/Town/City Council that include:

- the establishment and details of a steering group,
- the arrangement of an initial meeting with the Herefordshire Council contact officer,
- the preparation of a Project Plan including a timetable, updates on progress and programme discussions with the support officer,
- provision of the Final Plan in electronic form, and
- sharing results of the primary source data.

Further examples of agreements can be seen at: http://www.pas.gov.uk/neighbourhood-planning-case-studies/-/journal_content/56/332612/4079081/ARTICLE#sthash.9ZOKvx7F.dpuf

4.

CONCLUSION

Service level agreements or service contracts are increasingly being used by local government organisations when outsourcing services to external organisations. And also local authorities are providing services to others, through service level agreements. Local authorities are both commissioners and suppliers when it comes to service level agreements. In this report we examined the nature of service level agreements, including the advantages and disadvantages involved in their implementation and looked at a number of examples in practice.

It is evident from the literature and the examples assessed in this report that service levels are achieved successfully where the service level agreements stipulate specific measurements and indicators of service provision, and include ongoing reviews with partner organisations to ensure a continuous improvement in service. Failures occurred where at the outset, there is a lack of understanding of the level of service to be provided by the local authority and the partner organisation; a lack of consultation with the customer or community from the outset; lack of useful indicators to benchmark service changes and need for a robust review mechanism as part of an ongoing continuous improvement strategy. As an Attorney General's report (2013) in New Zealand noted 'a public entity cannot contract out all responsibility for what is done in its name.' Therefore, robust service level agreements embedded in a continuous improvement strategy can provide the necessary bulwark against service level issues and any difficulties that may arise in maintaining and improving service levels.

SLAs are not a panacea and will not automatically solve governance relationships, either with external providers or between internal units. But they do offer the potential to bring greater clarity and certainty to the relationship. It is crucial to the effective operation of SLAs that it is remembered that the process of developing, monitoring and managing SLAs is as important as getting the content of the SLA document right.

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APPENDIX 1

Example Service Level Agreement Template

Source: Treasury Board of Canada, Guideline on Service Agreements: Essential Elements, <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25761§ion=text#appA>

1. Recitals (“Whereas” and “Therefore” Statements)

This section typically describes the mandates or capabilities of the parties involved and the overall goal of the agreement. For example, “Whereas Department A and Department B have entered into a Master Agreement governing a range of real property and acquisition services” and “Whereas Department B requires property management services for the following properties. [specify properties]” therefore “Department A agrees to provide property management services to Department B on a cost recovery basis and in accordance with the following terms and conditions”.

2. Commencement and Duration

This section outlines the start and end dates of the agreement. The agreement may be renewed if agreed to by both parties. It should be reviewed at regular intervals by both parties to ensure its effectiveness and appropriateness and to make adjustments as required.

3. Definitions

This section includes any definitions that may be required to ensure the language of the agreement is understood and meaningful to the parties to the agreement.

4. Scope

This section defines the details of the service being requested and the business objectives being sought. This section should include:

- **Service(s):** Identify the service or services that are covered by this agreement.
- **Service Scope:** Describe the scope of the service in terms that are clear and unambiguous to both service recipient and service provider. Include a definition of any service bundles chosen by the client and channels through which services will be delivered. Define channels to be utilized and designation of priority channels if applicable.
- **Resource Requirements:** Identify resources to be provided by the parties to the agreement to enable the service to be executed, such as training.
- **Service Assumptions:** Identify any planning or delivery assumptions made by either party.
- **Relative Roles and Responsibilities:** Identify the specific roles and responsibilities to be assumed by each party. As necessary, this section will also outline how key planning and financial decisions will be made. Roles and responsibilities should be linked to the service level and performance targets to be achieved.

- **Location:** If applicable, include the operating centres and the front-line delivery locations for the service covered by the agreement.
- **Scope Amendments and Authorities:** Identify individuals who may authorize changes to the scope of service defined in the SLA and the process to effect such changes, as well as any associated changes to the financial arrangements.

5. Service Levels and Performance Targets

This section describes specific service levels or performance targets to be achieved by the service provider once the service has been clearly defined. There may be multiple service level targets per service. Targets are to be stated in business terms and understandable to the client receiving the service. Typically, service level targets focus on service availability, time to recover or repair, cost effectiveness, end-user response time, accessibility, accuracy, and client satisfaction measurements. The following information is typically used to describe a service level target:

- Definition
- Timeframe
- Assumptions
- Responsibilities (for both program owner and service provider)
- Service level
- Measurement formula
- Key performance indicators
- Measurement reporting period
- Data sources
- Escalation
- Contractual exceptions
- Penalty/bonus definition and formula

6. Operational Considerations

This section deals with key operational considerations related to the service in question. Examples include privacy, security, infrastructure or technical requirements, work sharing arrangements if applicable, signing authorities, and disclosure and use of information.

7. Performance Tracking and Reporting

This section describes how the services will be measured and reported and processes that will be enacted based on a comparison of results with service level objectives.

This section should describe the distribution and frequency of performance reporting and include a schedule of review meetings if applicable. Individuals responsible for performance tracking and reporting should be identified. The process through which

service improvements will be determined and executed in response to performance deficiencies should be described including the authorities required to proceed with the identified changes.

8. Financial Arrangements

This section describes all aspects of the financial arrangement between the client and provider. The items typically covered include the fee structures or resource pooling arrangements, any incentive pricing, investments in service enhancements, cost transparency, variances and adjustments, and settlement arrangements. Any financial consequences resulting from performance deficiencies should be clearly described. It should also include a description of the amendment process, if applicable, and identify the responsible individuals.

9. Implementation

This section identifies the approach and timeframes for the phases and stages of the implementation process, including detailed planning, service management, service delivery, and when the parties expect the service to become operational. It should also identify when designated officials expect to review the effectiveness of the relationship, prior to continuing or including additional services.

10. Security / Access to Information and Privacy

This section identifies the service provider's requirements regarding privacy and security of data, information, and access with respect to any and all services identified in the SLA, and also covers the service provider's compliance in meeting, or exceeding, these requirements.

11. Dispute Management

This section describes the dispute resolution process and procedures to be applied for each service identified in the SLA. The process that will be used to define a problem or incident should be identified. The escalation process should also be identified as well as all responsible personnel.

12. Designated Officials

This section identifies who in each party will be accountable for the implementation and for the operation of the service. It may also establish committees and decision-making bodies if necessary.

13. Signatories

By signing below, Approvers indicate their acceptance of all terms and conditions outlined in this Agreement.

