service level agreements

guidelines for public sector organisations

NSW Premier’s Department
Corporate Services Reform Team
1999
FOREWORD

Service Level Agreements are an important vehicle for improving corporate services delivery throughout the public sector.

The benefit of improving corporate services infrastructure across the sector is that it will provide better delivery of government services to the NSW community.

These guidelines will assist public sector organisations with the development of individual service level agreements. They have been written at the request of a number of agencies seeking practical advice in this area.

The document outlines the processes involved in reaching a service level agreement, as well as the content which forms the basis of an agreement. The guidelines are equally applicable within an agency and between agencies.

Effective service level agreements will result in improved performance by service providers as well as increased discipline on service users.

Copies of this document are available from the Internet http://www.premiers.nsw.gov.au/about/csrguide.html or through the NSW Government Information Service. Feedback is welcome and should be directed to the Corporate Services Reform Team via email corpreform@mail.ccsu.nsw.gov.au.

I encourage all agencies to utilise these guidelines in developing service level agreements as an integral part of their corporate services management.

C. Gellatly
Director General
CHAPTER 1: INTRODUCTION

1. Corporate Services Reform

Corporate services reform is a key platform for building long-term improvement in the NSW public sector. Effective reform will boost the performance of public agencies and reduce the costs they incur in delivering services.

‘Corporate services’ is a generic term which describes a variety of support functions used in the public sector, such as:

- Human resources management
- Legal services
- Fleet management
- Information technology
- Purchasing and procurement
- Property management
- Financial management

There are two strategic elements in achieving corporate services reform:

- Consolidating, simplifying and standardising corporate services processes.
- Developing shared service arrangements, particularly in handling routine transactions.

Service level agreements are one of the main tools available to corporate services managers in improving their service relationships and establishing shared arrangements. Such agreements are already in use in some NSW public sector agencies.

2. What is a service level agreement?

A service level agreement is both a process and a document.

The service level agreement process involves the customer and service provider agreeing on suitable targets for particular services. This process is also treated as a commercial transaction, and the services are paid for by the customer. The achievement of these targets is measured and any discrepancies are discussed and resolved openly.
The advantage of this process is that:

- It gives the service provider an opportunity to improve performance.
- It gives the customer an opportunity to review priorities.

A service level agreement document is like a contract. It formalises an agreement between two parties by setting out a minimum level of service. The key difference from a commercial contract is that a service level agreement is usually between parties within one government organisation or entity (such as the NSW Government).

3. Benefits of a service level agreement

The main reason organisations enter into service level agreements is to improve the effectiveness and efficiency of service delivery.

There are benefits for both customers and service providers.

### Benefits of a service level agreement:

- Sets clear performance expectations of the customer and service provider.
- Clarifies the roles and responsibilities of both parties.
- Focuses attention on customer’s priority needs.
- Encourages a service quality culture, and continuous improvement.
- Provides a mechanism for both parties to plan for the future.
- Puts purchasing power into the hands of the customer.
- Provides a useful tool for the customer to monitor performance.
- Service providers are in a better position to plan their delivery functions.
- Can provide greater certainty of income for service providers.

4. Using these guidelines

These guidelines are designed for managers of corporate services throughout the public sector, as well as for anyone participating in activities which are affected by a service level agreement. They explain in simple terms the benefits of developing a service level agreement as well as the processes required.
The guidelines are divided into the following chapters:

**Chapter 1**
Provides a general outline of the purpose of service level agreements within the NSW public sector.

**Chapter 2**
Outlines the stages necessary to develop a service level agreement.

**Chapter 3**
Details what a service level agreement contains and what the document looks like.

**Chapter 4**
Explains how the success of a service level agreement can be measured, and how it can be improved.

**Appendix A**
Provides a blank template which can be adapted for a broad range of service level agreements.

**Appendix B**
Provides a hypothetical service level agreement in order to illustrate the general terms and concepts in the guidelines.

**Appendix C**
Lists some useful publications and resources which are relevant to service level agreements.

**Appendix D**
Provides clear definitions of the key terms used throughout this document.

Each chapter can be read in conjunction with the illustrations in the appendices. These guidelines will also be an essential reference at each stage of the development of individual service level agreements.
CHAPTER 2: GETTING TO AGREEMENT

The process of reaching an agreement is as important as the agreement itself.

The best service level agreements result from close cooperation between the two parties. Working in partnership will help each party understand the extent to which it is dependent on the other.

The first round of service level agreements sometimes depends on detailed input from the service provider. The provider is often more aware of different service options and constraints than users. Up to this point, service users may not have seen themselves as ‘customers’.

Service requirements, however, should always be specified by the customer. Customers determine their needs based on their particular business drivers. As customers use the service level agreement, they are likely to be more demanding and drive the process.

1. Start up

The first step in a service level agreement is to decide who will represent the provider and customer units in the negotiation process. Choosing a small team (2 - 4 people), with equal numbers from each unit or agency, is the best way to keep things moving. Invite participation from others when needed.

Start up is the time to agree on the main goals of the service level agreement and to define the process you will adopt.

There will be a temptation to start writing the agreement from the outset. However, considerable effort will be saved over the long term by taking time now to define the business and the relationship in detail. Be sure to draw out and discuss the underlying concerns of both service provider and service user.
The timeframe for the service level agreement is a key component. The customer should consider the likely costs and benefits of different periods before deciding on the timeframe which best suits the business. Service providers will take the timeframe of the agreement into account when setting prices.

**Agreement timeframe considerations**

<table>
<thead>
<tr>
<th><strong>Short Term: 1 year</strong></th>
<th><strong>Medium Term: 2-3 years</strong></th>
<th><strong>Long Term: 4+ years</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• No incentive for provider to invest</td>
<td>• Provider more likely to invest to benefit customer</td>
<td>• Investment by provider essential</td>
</tr>
<tr>
<td>• Likely to be the most expensive option</td>
<td>• Lower prices</td>
<td>• Price incentives are possible</td>
</tr>
<tr>
<td>• Limited opportunity to achieve further efficiencies</td>
<td>• High potential for further efficiencies to be achieved</td>
<td>• Efficiency gains may have plateaued</td>
</tr>
<tr>
<td>• Able to change provider quickly</td>
<td>• Customer locked into agreement for longer</td>
<td>• Customer may miss out on better options by being locked in</td>
</tr>
</tbody>
</table>
2. Involving key players

A network of service relationships surrounds a service level agreement. Getting the agreement to work well depends on identifying these relationships and consulting those most affected by the service.

Key players may include the service provider, suppliers, customers and a range of other stakeholders who have an interest in the outcomes of the service. Examples include the Minister, other agencies, and the public.

Customers may be internal or external users who receive the service, direct or indirect. Direct customers obtain the service with no intermediary, while indirect customers (or ‘end-users’) are at the end of a service delivery chain. Often end-users are the most affected by changes, yet they are the last to be consulted. Ignoring them during the development of a service level agreement can cause problems at implementation.

This is a good time to check your agency’s delegations to identify who will be the appropriate signatories. Where the agreement is between units within an agency, the signatories are generally the managers of the service provider unit and the service user unit. As a rule, the signatures of chief executives would be required only for a service shared between agencies.

3. Identifying needs and expectations

Understanding and managing the needs of the different customer and stakeholder groups can be difficult in a public sector environment. Front line staff may value ease of access to a system. Managers are more likely to be concerned with the quality of information. External stakeholders may require costs to be transparent.

Research customer and stakeholder attitudes to find out which service attributes are most valued by each group. A service attribute is the aspect of service quality that is relevant to the customer or stakeholder.
For example, from the staff’s perspective, the most important service attributes of a payroll service would be accurate pay delivered on time. The most important service attribute for managers might be that salaries are posted to the correct account.

It is important for customers to take the time to distinguish their essential needs from their broader expectations. Minimum needs should be quantified to enable service levels to be specified accurately. Customers need to be clear about their priorities.

### Examples of service attributes and customer expectations

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability</td>
<td>Suitable hours</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Prompt attention</td>
</tr>
<tr>
<td>Timeliness</td>
<td>Speedy processing</td>
</tr>
<tr>
<td>Reliability</td>
<td>Accuracy in billing</td>
</tr>
<tr>
<td>Equity</td>
<td>Consistent decisions</td>
</tr>
</tbody>
</table>

### 4. Defining service levels

A service level is an agreed measure which might include one of the following elements to describe the performance of a service delivery:

- quantity
- quality
- timeliness
- cost

Service levels are similar to standards, but this term is usually reserved for organisation-wide performance, and as an aid for public scrutiny.
Examples of service levels

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Expectation</th>
<th>Service Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability</td>
<td>Suitable hours</td>
<td>Open 8:30am - 6:30pm weekdays</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Prompt attention</td>
<td>Help desk reply within 1 hour</td>
</tr>
<tr>
<td>Timeliness</td>
<td>Speedy processing</td>
<td>Cash banked within 24 hrs</td>
</tr>
<tr>
<td>Reliability</td>
<td>Accuracy in billing</td>
<td>99.5% accuracy</td>
</tr>
<tr>
<td>Equity</td>
<td>Consistent decisions</td>
<td>No complaints about unfair treatment</td>
</tr>
</tbody>
</table>

Before prescribing service levels the service user needs to describe all the services to be provided and define current performance. You can measure improvements against this baseline.

The service provider should outline the capabilities and constraints of their operation. This will help the customer understand the context for their service requests and eliminate any unrealistic expectations.

The rule of thumb for the service provider is to under-promise and over-deliver.

This is the appropriate time for the customer to define critical areas of service delivery and negotiate the service levels to be provided. In all cases the agreement should indicate the minimum level of performance. Both customer and service provider need to agree on the needs and expectations which cannot be met.

**Tips for setting service levels**

- **Identify service levels that are measurable**
- **Avoid setting too many (this leads to loss of priority)**
- **Set service levels based on user satisfaction as well as service output**
- **Identify ‘key service levels’, for critical areas**

5. Establishing performance indicators

Having decided on appropriate service levels, the next step is to agree on how these will be measured. Staff will lose confidence in the service level agreement if the measures are not credible. For example, using ‘tick marks’ on a counting
sheet to record incoming calls is an unreliable method, especially when phones are busy. A more reliable method would be to gather data automatically through the telephone information system.

Performance can be difficult to measure, especially where the benefits are intangible. In most cases, a sensible mix of output and outcome measures generates the best result. Measuring customer attitudes towards the service can confirm or challenge other performance data. One-off surveys can also measure whether a specific objective has been met.

6. Confirming mutual issues

An effective service level agreement acknowledges that customers and service providers have responsibilities and obligations to each other. It is important to address these points in the negotiation process, and acknowledge them in the document. In some agreements, customer responsibilities may be extensive. This might include reasonable notice of planned changes to their operation, or an agreement to train staff to use particular software.

Negotiations should include a mechanism for altering the service level agreement and a process for resolving disputes. Disputes where the two parties have attempted a resolution and failed are often referred to a third party for mediation or arbitration.

Tips for negotiating an agreement without giving in

- Separate the people from the problem
- Focus on interests, not positions
- Invent options for mutual gain
- Insist on using objective criteria


7. Determining costs and terms of payment

Some corporate services are required for the benefit of the whole organisation, regardless of whether they are used by individual units. Service providers typically bill these as a block amount. Service providers should use this cost allocation method only for genuine corporate overheads.

When service providers are ready to distribute charges they should make a distinction between costs that are allocated as an overhead, and charges based on a customer usage. Usage charges are based on the user’s consumption and encourage the customer to make savings.
Where service providers have operated from an aggregate budget, they will not automatically know the costs of individual services. They are unlikely to have information on all of the expenditure that accrues to an activity.

Breaking down costs by activity does take time and effort, but it is a worthwhile investment which provides the basis to identify savings.

The example of disaggregating costs in Figure 1 is based on breaking down the costs of two activities (accounts payable and debt management) for Shared Services Finance, a hypothetical business unit. To arrive at this breakdown of costs, the business unit would need to have collected detailed information on the quantity of resources consumed by each activity.

Activity Based Costing is an accurate method of cost management, which traces rather than allocates costs to a particular output.

Costing your services

1. Select service
2. Identify activities and sub-tasks
3. Identify the costs component for each activity
4. Include indirect costs
5. Identify cost drivers (person-hours, usage rates)
6. Compare service costs with market rates

Pricing strategies depend on government policy and will vary from agency to agency. Some agencies may require full cost recovery. Others may require that subsidies are made transparent. Negotiators should check on the policy constraints which govern their agency. Where there is flexibility, business units sometimes charge premiums for priority service, or different rates for peak and off-peak periods in order to spread demand.

Billing and payment mechanisms are also negotiated at this stage.
FIGURE 1: EXAMPLE - DISAGGREGATING COSTS

**Shared Services Finance**
*Accounts Payable*

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related expenses</td>
<td>1,456,987</td>
</tr>
<tr>
<td>Administration</td>
<td>4,100</td>
</tr>
<tr>
<td>Books and periodicals</td>
<td>1,228</td>
</tr>
<tr>
<td>Contractors</td>
<td>179,000</td>
</tr>
<tr>
<td>EDP expenses</td>
<td>3,085</td>
</tr>
<tr>
<td>Office accommodation</td>
<td>231,811</td>
</tr>
<tr>
<td>Maintenance</td>
<td>3,808</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>66,000</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,024</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>41,064</td>
</tr>
<tr>
<td>Staff development</td>
<td>33,818</td>
</tr>
<tr>
<td>Stores</td>
<td>8,394</td>
</tr>
<tr>
<td>Telephones</td>
<td>7,427</td>
</tr>
<tr>
<td>Travel</td>
<td>6,021</td>
</tr>
<tr>
<td>Internal charges</td>
<td>28,988</td>
</tr>
</tbody>
</table>

**(HR, Fleet, Property)**

Total: 2,072,755

**Shared Services Finance**
*Debt Management*

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related expenses</td>
<td>1,966,269</td>
</tr>
<tr>
<td>Administration</td>
<td>5,063</td>
</tr>
<tr>
<td>Books and periodicals</td>
<td>1,228</td>
</tr>
<tr>
<td>Contractors</td>
<td>70,000</td>
</tr>
<tr>
<td>EDP expenses</td>
<td>26,928</td>
</tr>
<tr>
<td>Office accommodation</td>
<td>75,004</td>
</tr>
<tr>
<td>Maintenance</td>
<td>5,712</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>99,000</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,000</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>61,596</td>
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<tr>
<td>Staff development</td>
<td>50,727</td>
</tr>
<tr>
<td>Stores</td>
<td>8,554</td>
</tr>
<tr>
<td>Telephones</td>
<td>11,139</td>
</tr>
<tr>
<td>Travel</td>
<td>9,200</td>
</tr>
<tr>
<td>Internal charges</td>
<td>35,244</td>
</tr>
</tbody>
</table>

**(HR, Fleet, Property)**

Total: 2,826,664

**Shared Services Finance**
*Total Expenditure*

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related expenses</td>
<td>3,423,256</td>
</tr>
<tr>
<td>Administration</td>
<td>9,163</td>
</tr>
<tr>
<td>Books and periodicals</td>
<td>2,456</td>
</tr>
<tr>
<td>Contractors</td>
<td>249,000</td>
</tr>
<tr>
<td>EDP expenses</td>
<td>30,013</td>
</tr>
<tr>
<td>Office accommodation</td>
<td>706,815</td>
</tr>
<tr>
<td>Maintenance</td>
<td>9,520</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>165,000</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2,024</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>102,660</td>
</tr>
<tr>
<td>Staff development</td>
<td>84,545</td>
</tr>
<tr>
<td>Stores</td>
<td>16,948</td>
</tr>
<tr>
<td>Telephones</td>
<td>18,566</td>
</tr>
<tr>
<td>Travel</td>
<td>15,221</td>
</tr>
<tr>
<td>Internal charges</td>
<td>64,232</td>
</tr>
</tbody>
</table>

**(HR, Fleet, Property)**

Total: 4,899,419

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*service level agreements*
8. Agreeing to the document framework, content and style

The actual document containing a service level agreement can vary considerably. Some of the most effective are contained in a few pages, describing the services provided, indicating costs and contact information. Others may specify services and service levels down to the finest detail. The individual document reflects the nature of the relationship between the customer and service provider.

A highly specified service level agreement can indicate a lack of trust and understanding between the parties. However, considerable detail may be essential in formulating a complex service. Over-generalised service level agreements can also be frustrating for both customers and service providers. Disputes are common where roles and responsibilities are not clearly defined.

All organisations are affected by changes in their environment, and it’s important to build flexibility into the agreement. One means of doing this is to separate the broad areas of agreement that are unlikely to change from the details that can be altered subject to discussion. Sometimes this section is called the service schedules.

<table>
<thead>
<tr>
<th>Service Schedules specify</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Specific services</td>
</tr>
<tr>
<td>• Detail</td>
</tr>
<tr>
<td>- quantity</td>
</tr>
<tr>
<td>- quality</td>
</tr>
<tr>
<td>- levels of service</td>
</tr>
<tr>
<td>• Rate or price</td>
</tr>
</tbody>
</table>

9. Establishing a review process

At this stage it is important to define how you will monitor the agreement, and what mechanisms you will use to resolve disputes. Monitoring performance should present few problems if service levels have been well defined. Check that stakeholder feedback is built into this process.

Regular meetings are a common means of keeping track. The frequency (monthly or quarterly) will depend on the complexity and detail of the service level agreement. It may also be appropriate to meet more frequently at the beginning, and less frequently when the relationship is well established.

A six monthly review of service requirements and prices, followed by adjustment of the service schedules as appropriate, will maintain the relevance of the agreement and ensure better service for the customer.
Usually a client representative is appointed to manage the agreement from the customer’s perspective. The service provider may appoint a line manager, or an ‘account manager’ to supervise service delivery and communicate with the customer.

**10. Creating and signing the service level agreement**

If you have not already done so, check your agency’s delegations to identify the signatories to the agreement. If no clear delegation exists, it will be necessary to create one.

The effort that both parties have made in drafting the agreement will be repaid by a good working relationship for the future. Mark the occasion, communicate the outcome and celebrate your success so far.
Getting to Agreement - Checklist

1. **Start up**
   - Have you clarified the goals of the service level agreement?
   - Are the steps involved in the service level agreement process defined?
   - Have you decided on the length of the agreement?

2. **Involving key players**
   - Have you identified the key players?
   - Who are direct and indirect customers?
   - Has a good working relationship been established?

3. **Identify needs and expectations**
   - What are the broad needs of each stakeholder group?
   - Do you have clear definitions of their issues and objectives?
   - Have you agreed on what services will be provided?

4. **Define service levels**
   - Have you discussed the operational capabilities of the service provider?
   - Are service levels and the standards of service clearly defined?
   - Have you agreed on critical areas of service delivery?
   - Have you agreed on priority targets for improvement?

5. **Establish performance indicators**
   - Have you formulated indicators to measure service performance?

6. **Confirm mutual issues**
   - Are customer and service provider obligations defined clearly in writing?
   - Have you formulated indicators to give early warning of problems?
   - Have you established a workable dispute resolution process?
   - Are termination conditions provided for?

7. **Determine costs and terms of payment**
   - Have you agreed on a basis for determining costs?
   - Have you determined an appropriate cost transfer mechanism?
   - Have you agreed on the frequency of billing?

8. **Agree on the document framework, content and style**
   - Does the document reflect a partnership and service relationship?
   - Is it flexible enough to accommodate changes?

9. **Establish a review process**
   - Who will be responsible for reviewing performance?
   - Have you agreed on the frequency of review meetings?
   - Have you agreed on a program for improvements?
   - How will customer and stakeholder feedback be sought?

10. **Create and sign the service level agreement**
    - Have you communicated the outcome to staff?
    - Has someone with appropriate authority signed the document?
CHAPTER 3: KEY AREAS OF CONTENT

Service agreement documents typically contain the following subject areas. A template of this outline forms part of these guidelines at Appendix A.

1. Parties to and period of the agreement
This section is usually found on the first page and includes the units or organisations that are parties to the agreement, the names and signatures of the representatives of those organisations, and the period covered by the agreement.

2. Agreement objectives
A general statement of the key goals of the service agreement should be defined early in the process.

3. Description of services
This section broadly describes the services included in the agreement, with the specific detail relating to each service contained in the service schedules. The advantage of this approach is that agreed changes to service details can be made in the schedules without altering the main body of the document.

If your agreement is simple, you may choose to include the service description and service levels in this section of the document and leave out the service schedule.

4. Communications, reporting and review
Most service agreements describe arrangements for general communication between the customer and service provider. If contact information is specific to separate services, it may be more appropriate to list those details in the service schedules.

5. Mutual obligations
This section is useful for expressing the general obligations of both parties. More detailed obligations can be specified in the service schedules.
6. Billing and payment

It is important to include a section on the method of billing and payment, including an agreed frequency. Including the schedule of fees that cover the services to be provided will ensure that the customer is clear about the basis of the bills they will receive.

7. Variations

Include a process for agreeing on variations. Usually this requires both parties’ acceptance and a specific period of notice.

8. Exclusions

Sometimes it’s as important to describe what is excluded (for example, additional equipment, after-hours support) as to describe what is part of the agreement.

9. Dispute resolution

It’s important to include a mechanism for resolving disputes. This is a general guideline for making a decision when the two parties cannot agree. In more complex services, a detailed escalation procedure may be necessary. Where there are shared services between agencies, the final decision is usually made at a meeting of the two Chief Executives.

10. Termination conditions

To avoid protracted negotiations when an agreement is terminated, it is a good idea to include details of how to compensate either party for its initial investment. Any penalty for early withdrawal should be covered here as well.

11. Service schedule

This section describes each service provided to the customer, the agreed service level (or standard), and how achievement of the standards will be measured. Detailed pricing information may be appropriate here.

It’s quite common for the service schedule to be in table format. Depending on the needs of your agreement, table headings might include some of the following:
Not every service agreement includes a service schedule. For some service agreements, service levels may be adequately described earlier in the document. A service schedule is particularly useful where the services are tailored to each customer’s needs and where the service information is very detailed.

12. Glossary

A good service agreement will include a section that provides precise definitions of key terms.
CHAPTER 4: EVALUATING PERFORMANCE

1. Achievement of objectives

One of the key benefits of a service level agreement is that it provides clear and documented measures of performance.

The first priority is to evaluate whether the objectives of the agreement have been met. This is usually done annually or bi-annually and is important for the next round of negotiations.

If the objectives were not achieved, you may need to consider the following questions:

- Were the objectives unrealistic or inappropriate?
- Did the customer change direction?
- Was the problem with the service provider?
- Was the process understood by both parties?

2. Evaluating the achievement of service levels

Regular meetings will provide the opportunity to check that the service levels are being achieved. If the agreement includes key service levels, check that other service levels are not overlooked. Just because key service levels have been achieved does not mean that the other service levels are not important to the customer’s business.

Take this opportunity to set targets for improvement. These should be both realistic and challenging, with deadlines attached. It is important to involve those doing the work in setting targets and to review progress regularly.

3. Regular communication

Build regular feedback into the evaluation process. As well as a formal review meeting, many service level agreements provide contact information for different aspects of the service.
Service Level Agreement

between
(The Service Provider)
and
(The Customer)
SERVICE AGREEMENT

Number

This document represents a formal service agreement

between (the Service Provider) ________________________
and (the Customer) ________________________________
for (general description of services) ___________________

for the period _________________________________ to ___________________

Signatures

For the Service Provider For the Customer
(Name, title) (Name, title)

____________________ _______________________

Date ___________________ Date ___________________
TABLE OF CONTENTS

1. **General Information**
   - Agreement objectives
   - Description of services
   - Communications, reporting and review

2. **TERMS AND CONDITIONS**
   - Mutual obligations
   - Billing and payment arrangements
   - Dispute resolution process
   - Variations
   - Exclusions
   - Termination

3. **SERVICE SCHEDULES**
   - Services provided
   - Service levels, measures and customer obligations
   - Contact details
1. GENERAL INFORMATION

Agreement objectives

Description of services

Communications, reporting and review
2. TERMS AND CONDITIONS

Mutual obligations

Billing and payment arrangements

Dispute resolution
APPENDIX A: GENERIC SERVICE LEVEL AGREEMENT

Variations

Exclusions

Termination of Service Agreement
3. SERVICE SCHEDULES

Service:

<table>
<thead>
<tr>
<th>activity</th>
<th>agreed service level/target</th>
<th>measured by</th>
<th>customer obligations</th>
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</table>
## CONTACT DETAILS

<table>
<thead>
<tr>
<th>service</th>
<th>contact person</th>
<th>phone</th>
</tr>
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Provider:
Customer:

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Service Level Agreement

between

Shared Services Finance and

The XYZ Department
SERVICE AGREEMENT

Number: 3XYZ99/00

This document represents a formal service agreement between SHARED SERVICES FINANCE and THE XYZ DEPARTMENT for Accounts payable services for the period 1 July 1999 to 30 June 2000.

Signatures

For the Service Provider

Rosemary Pounder
General Manager
Shared Services Finance

Date 15/6/99

For the Customer

Carlos Velasquez
Manager Finance Division
XYZ Department

Date 15/6/99
TABLE OF CONTENTS

1. General Information
   Agreement objectives
   Description of services
   Communications, reporting and review

2. TERMS AND CONDITIONS
   Mutual obligations
   Billing and payment arrangements
   Dispute resolution process
   Variations
   Exclusions
   Termination

3. SERVICE SCHEDULES
   Services, service levels and customer obligations
     Invoice processing and payment of suppliers
     Petty cash disbursements
     Accounts payable management report
   Contact details

APPENDIX B: SAMPLE SERVICE LEVEL AGREEMENT
1. GENERAL INFORMATION

Agreement objectives
The purpose of this service level agreement is to establish a clear commitment between the Shared Services Finance and the XYZ Department to work in partnership to provide a reliable and timely accounts payable services.

Description of services
This service level agreement covers the accounts payable functions for:
1. Invoice processing and the payment of suppliers
2. Petty cash disbursements
3. Accounts payable management reports
Hours of operation: 8:30am to 5:00pm weekdays.

Communications, reporting and review
Shared Services Finance has appointed an account representative who will be responsible for monitoring the service levels specified in this agreement, and will be the primary contact for the XYZ Department. Please contact Juliette Smith on X222 for any queries about service delivery and performance.

Review meetings between the account representative and the Manager, XYZ Finance Division, will be scheduled on a monthly basis to discuss service delivery and any issues of concern.
2. TERMS AND CONDITIONS

Mutual obligations

Both parties agree that they share obligations for the services provided and undertake to maintain open channels of communication. The terms and conditions of the Agreement are confidential.

Shared Services Finance

► Is committed to continuously improving its services.
► Will review processes and policies and adopt a flexible approach in order to meet customer needs.

XYZ Finance Division

► Will ensure documentation complies with regulatory requirements.

The specific obligations of each party are outlined in more detail in the service schedule.

Billing and payment arrangements

XYZ Finance will be charged $A.bc per payment transaction, for invoice processing and payment of suppliers. The estimated volume of transactions is D,000 per annum.

Petty cash disbursements will be charged a flat rate of $C,000 per annum.

Shared Services will invoice XYZ Finance Division at the end of each accounting period at the agreed rates until 30 June 2000. The rate will be renegotiated for the period 1 July 2000 to 30 June 2001.

Payment will be made by Treasury transfer.
Dispute resolution

Any concerns should be raised at the regular review meetings, or by contacting the Shared Services Account Representative.

If a complaint or dispute cannot be resolved by negotiation between the parties, advice and assistance may be sought from the General Manager, Shared Services and the Manager, Finance Division, of the XYZ Department. If a resolution cannot be obtained, representation will be made to the Director General, who will be the final arbiter.

Variations

Alterations to this agreement may be made only after consultation with, and consent from both the General Manager, Shared Services, and the Manager, Finance Division, XYZ Department. Requests for changes must be made in writing and adequate time allowed for implementation.

Exclusions

This Agreement covers the accounts payable services listed in the schedule. Approving payments is the responsibility of the XYZ Department. Any additional services must be agreed to by both the General Manager, Shared Services, and the Manager, Finance Division, XYZ Department, and are subject to negotiated additional charges. These additional services will be detailed in an attachment to this agreement.

Termination

This agreement will operate for the specified period unless terminated by the consent of both the General Manager, Shared Services and the Financial Manager, XYZ Department.

Upon termination of this agreement all assets used to provide services to the XYZ Department remain the property of Shared Services.
### 3. SERVICE SCHEDULES

**Service: Invoice processing and payment of suppliers**

<table>
<thead>
<tr>
<th>activities</th>
<th>agreed service level/target</th>
<th>measured by</th>
<th>customer obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Receive invoices from XYZ</td>
<td></td>
<td></td>
<td>1. Purchase orders raised or approvals made by delegated XYZ staff</td>
</tr>
<tr>
<td>2. Create new/change creditor details as necessary</td>
<td></td>
<td></td>
<td>2. Receive and send on invoices</td>
</tr>
<tr>
<td>3. Check &amp; match invoice and P.O. or create non-order invoice</td>
<td>• 95% accuracy in processing invoices according to the data supplied on the authorised invoice or documentation</td>
<td>• Number of errors reported by users as a percentage of total payments</td>
<td>3. Shared Services will only accept completed vouchers</td>
</tr>
<tr>
<td>4. Apply costing allocations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Liaise with XYZ when necessary to correct information, or mismatch outside tolerances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Prepare and process voucher</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7. Payment of invoice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Respond to creditors regarding invoice queries and status of invoice payment</td>
<td>• Process and match invoices within 2 days of receiving</td>
<td>• System data</td>
<td></td>
</tr>
<tr>
<td>9. Filing and record keeping</td>
<td>• 99% accuracy in paying suppliers within the terms of settlement</td>
<td>• Number of calls from creditors as a percentage of total payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Solve problems within one week of a supplier issue being raised</td>
<td>• Supplier record</td>
<td></td>
</tr>
</tbody>
</table>
### SERVICE SCHEDULES (CONTINUED)

**Service: Petty cash disbursements**

<table>
<thead>
<tr>
<th>activities</th>
<th>agreed service level/target</th>
<th>measured by</th>
<th>customer obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Receive petty cash docket from XYZ staff member</td>
<td>• 100% accuracy in securing and paying petty cash</td>
<td>• Reconciliation of petty cash register</td>
<td>1. Provide appropriately authorised petty cash docket</td>
</tr>
<tr>
<td>2. Check authorisation and validity</td>
<td></td>
<td></td>
<td>2. Provide accompanying receipt or proof of payment</td>
</tr>
<tr>
<td>3. Stamp docket, reimburse staff</td>
<td></td>
<td></td>
<td>3. Provide cost account</td>
</tr>
<tr>
<td>4. Enter docket daily in petty cash register, balance tin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Replenish tin as necessary</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6. Secure cash</td>
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</tbody>
</table>
### SERVICE SCHEDULES (CONTINUED)

**Service:** Accounts payable management report

<table>
<thead>
<tr>
<th>activities</th>
<th>agreed service level/target</th>
<th>measured by</th>
<th>customer obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prepare and distribute monthly report on XYZ payments processed</td>
<td>• Report received by XYZ Finance Division within 5 working days of the end of period</td>
<td>• XYZ date stamp</td>
<td>1. XYZ Finance Manager authorises report</td>
</tr>
<tr>
<td>2. File XYZ signed copy</td>
<td></td>
<td></td>
<td>2. Returns signed copy to Shared Services</td>
</tr>
</tbody>
</table>
## Contact Details

<table>
<thead>
<tr>
<th>Service</th>
<th>Contact Person</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice processing and payment of suppliers</td>
<td>Shared Services: Holly Day XYZ Department: Vincent Wong</td>
<td>2222 5555 2222 5666</td>
</tr>
<tr>
<td>Petty cash disbursements</td>
<td>Shared Services: Bruno Broadbent XYZ Department: Van Zantiotis</td>
<td>2222 5777 2222 5888</td>
</tr>
<tr>
<td>Accounts payable management report</td>
<td>Shared Services: Trin Nyugen XYZ Department: Terry Cottle</td>
<td>2222 5999 2222 5342</td>
</tr>
</tbody>
</table>
APPENDIX C: RESOURCES

Related NSW Government legislation, policies and guidelines

Consulting with Stakeholders, Public Sector Management Office, The Premier’s Department


Guidelines for achieving savings in Procurement and Purchasing, Department of Public Works and Services, (1996)


Public Finance and Audit Act 1983

Public Sector Management Act 1988

Public Sector Management Act 1988 - Regulation, (Public Sector Management (Goods and Services) Regulation 1995)

Regulation of Competitive Tendering and Contracting in the New South Wales Public Sector, Public Bodies Review Committee, (Report No.3 1997)


Treasurer’s Directions, Public Finance and Audit Act 1983

Service Level Agreement (SLA) Development Kit, NSW Police Service (1998)

Other useful documents

General Conditions of Contract, Australian Standard 2124-1986 and 1992


Internet sites


Centre for Australian Public Sector Management, Griffith University http://www.cad.gu.edu.au/capsm/capsm.htm

Negotiation reference

Fisher, Ury & Patton, Getting to yes; negotiating an agreement without giving in, Griffin (1991)
### APPENDIX D: GLOSSARY

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>Activity based costing</td>
<td>Activity based costing is an elaborate form of full (absorption) costing.</td>
</tr>
<tr>
<td>Benchmark, benchmarking</td>
<td>A benchmark is a performance standard set by the organisation as a target to emulate.</td>
</tr>
<tr>
<td>Customers</td>
<td>Internal or external receivers or users of the service or product. Can be individuals, groups or organisations.</td>
</tr>
<tr>
<td>Direct customers</td>
<td>Receive the service with no intermediary.</td>
</tr>
<tr>
<td>Indirect customers</td>
<td>Receive the service through an intermediary. Sometimes called the ‘end-user’.</td>
</tr>
<tr>
<td>Full cost</td>
<td>This cost includes the direct and indirect, or overhead costs of an activity.</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Intended impact or effect of a product or service.</td>
</tr>
<tr>
<td>Outputs</td>
<td>Products and services produced or delivered to customers.</td>
</tr>
<tr>
<td>Service level</td>
<td>An agreed measure of quantity, quality, timeliness and cost used to describe the performance of service delivery.</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>People, groups and organisations whose interests are affected by the provision of the service.</td>
</tr>
<tr>
<td>Targets</td>
<td>Intended service levels expressed as quantity.</td>
</tr>
</tbody>
</table>