

Building Service Level Agreement Contracts A Best Practices Approach

Overview

Introduction This paper presents a brief overview of what goes into a Service Level Agreement (SLA) contract. It also presents an example of one.

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Why Have Service Level Agreements?

Rationale

SLAs are critical towards formalizing expectations around services with end users and customers. Without these, customer expectations will assume that everything will be delivered and available at a 100% level all the time.

Very little can be done about poor service when there is no definition what good service is. Objectives should be set that describe items such as response times, availability, turnaround and accuracy. Customers and IT should commit to a mutually acceptable means of verifying compliance with service objectives and agree on actions that must take place when exceptions occur.

Key Goals

Key goals of undertaking formalized service arrangements are as follows:

- Allow for IT to understand customer service requirements.
 - Control customer expectations for levels of service to be delivered.
 - Allow for clear understanding of priorities when handling service problems.
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Contract Areas to Consider

Overview	The following section presents a number of key areas to consider when building SLA Contract documents.
Level of Formalization	Service levels may range from a formalized contract that is signed off by representative customer departments to informal "known" levels internal to IT functions. IT should be aware which level of formalization is appropriate.
Ability to Meet Service Targets	<p>IT should ensure that documented levels of service can indeed be met. Targets should allow for a latitude contingency to cover occasional problems or slowdowns to occur without jeopardizing targets.</p> <p>Within ITIL, Availability Management should review planned targets and provide guidance as to what levels may be appropriate given current IT capabilities. Requirements for new capabilities should be highlighted to management to determine whether to invest in them or not.</p>
Control of Customer Expectations	Targets should be communicated to customers in terms that make them clearly understood from their perspective. This promotes a good level of understanding and cooperation when service problems do occur.
Handling SLA Contract Changes	Processes should be in place to handle changes in service requirements. Customers may wish to negotiate better service levels, add new functions that require new levels of service or periodically renew current levels. These should be negotiated through a Service Level Manager and processed via Change Management.
Number of SLA Contracts	Less is better, more greatly increases management overhead to report and manage. It may be determined to have a single contract for all departments versus multiple service contracts for different departments. Another structure may be to have a base agreement that covers everyone as a default with a limited set of overriding contracts for unique needs.

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Contract Areas to Consider, Continued

Types of Service Targets to Be Included

The types of service targets to be provided should be identified in the service level contract. Examples of types of service targets include items such as:

- Response Times
 - Availability Windows
 - Equipment Service And Repair Times
 - Technical Support Response and Level
 - Report Or Other Media Delivery
 - Security Access
 - Data Retention and Backup Requirements
-

Determining Customer Services

It will be necessary to identify what critical customer workloads are. From this a specific service level can be derived. Workloads can be defined as one or more customer functions that require service from IT. Examples of these might include items such as:

- Processing patient accounts in a hospital.
- Entering orders from customers on a phone.
- Accessing E-Mail.
- Retrieving and creating memos.

Each of the above have an associated level of service that allows that function to be accomplished successfully. This level might include availability of service to that function. (i.e; E-Mail will be available from 8AM to 9PM on weekdays). It might also include a level of response. (i.e; Order Entry transactions on a terminal must provide a response time less than 5 seconds 85% of the time).

Most organizations have found it helpful to implement an ITIL Service Catalog to better define what these services are. With this, the SLA contract would only need to reference those service descriptions. The Catalog can also serve to centralize all of these definitions in one place.

Multiple Targets For Services

It may desired to provide or negotiate multiple service levels for a single customer service. An example of this might be negotiating a lower response time for peak hours of the day and a higher response time at other hours. Another example might be provision of high availability all the time but specific functions or files may be unavailable at certain times of the day.

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Contract Areas to Consider, Continued

**Resolution of
Service
Disputes**

It may be desired to put a process in place that fairly identifies resolutions to problems or misunderstandings in service expectations. This may be a committee of representative Customer and IT personnel without a direct interest in the problems under discussion.

**Operational
Level
Agreements
and
Underpinning
Contracts**

In an environment where the service to be delivered is provided by multiple departments, organizations or outside vendors, service boundaries must be clearly defined. This identifies where responsibilities lie and what kinds of services have to be delivered by each service delivery entity.

An example of this might include a client/server architected application where end user response time service consists of both mainframe processing and server/front-end processing. If these two components are managed by different organizations, then each organization should set up an operational level agreement.

As an example of the above, mainframe response time targets will be under 5 seconds 85% of the time, server processing will be under 3 seconds 80% of the time. This would result in the actual service level to the customer of a response time less than 8 seconds 80% of the time.

**Service Targets
Must Be
Reportable**

Any service level that is set must be able to be adequately reported on. It would be useless to establish a service level for which monitoring data cannot be collected. The operational efforts and costs involved with monitoring and reporting on any given service level should be taken into account when that level is set.

Contract Components

Overview	A Service Level Contract is a key component of a formalized service level agreement process. Key components of this document are described in this section.
Contract Dates	Starting and ending dates that the contract is to be in force. If ending dates are specified, new service level agreements may have to be created for projects or departments that function beyond the end dates.
Contract Numbers	These may be necessary if negotiating multiple contracts. They simply identify specific contracts.
Customer Identification	Identifying information that describes the group of users who are included within the scope of the contract.
Demand Periods	It is helpful to identify periods of time in which types of use are likely to make the greatest service demands on processing resources. Some targets may differ depending on demand periods. For example, an E-Mail service may have a lesser target for response time during the start of work when most employees retrieve their messages. There may be a higher target for slower periods later in the day.
Project or Departmental Description	A brief description of the department or project to be serviced. This may include its main purpose or business function and how processing supports the goals of that entity.
Expected Service Requirements	A description in clear concise terms of the service level targets to be delivered by IT to support the department(s) or project(s) covered by the service contract. These should be in business terms and from the customer perspective as much as possible.

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Contract Components, Continued

Service Assumptions If needed, this section can be included to describe any service assumptions used to support the service levels being delivered. Examples might include:

- A set number of customer users not to be exceeded
- Specific IT capacities that might incur additional costs if exceeded
- Allowances for special times of the day, week, month or year

Target Calculations Methodologies or calculations used to determine service expectations should be documented. The purpose is to clearly state how service levels may be calculated, measured and reported on.

IT Charging Costs Any assumptions or expected costs of delivering the service should also be documented. Determination of costs is aided by the Capacity Planning and Financial Management processes. In some cases, it may be necessary to include a sample charging bill.

Contract Maintenance This section should describe the conditions under which the contract should be changed. It should identify who is responsible for reporting on the quality of service delivered and how service disputes may be resolved.

Contract Responsibilities This section should identify organizations or personnel responsible for support activities related to Contract Maintenance, Service Level Reporting, Service Level Dispute Resolution and Renegotiation of Service Levels.

Signature Block This section provides space for Customer and IT sign-off to the terms in the contract.

Example Of A Service Level Agreement Contract

Introduction

The following pages present one example of a comprehensive Service Level Agreement contract. This example is probably much more formalized than necessary but illustrates some of the concepts discussed in this paper.

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Example Of A Service Level Agreement Contract, Continued

SERVICE LEVEL AGREEMENT

Contract Date:

Expiration Date:

Agreement Number:

Division:

Location:

Project:

Peak Times:

This document with attachments specifies the agreement between the above named business unit and the Data Processing Center (DPC) for shared computing services. This agreement consists of the following sections:

Section I:	Services To Be Provided
Section II:	Expected Service Requirements
Section III:	Service Assumptions
Section IV:	Costs
Section V:	Contract Maintenance
Section VI:	DPC Responsibilities
Section VI:	Customer Responsibilities
Section VII:	Service Change Control Procedure
Section VIII:	Signatures

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Example Of A Service Level Agreement Contract, Continued

SECTION I: SERVICES TO BE PROVIDED

Business Unit Description, Business Unit Scope And Desired Services to be provided.
May provide references to ITIL Service Catalog here....

SECTION II: EXPECTED SERVICE REQUIREMENTS

Examples (May list for each service to be provided or reference ITIL Service Catalog):

Response Time Requirements:

Availability Requirements:

Report/Media Delivery Requirements

Data Retention and Back-Up Requirements:

Technical Support Requirements:

Job/Report Turnaround Requirements:

Security Requirements:

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Example Of A Service Level Agreement Contract, Continued

SECTION III: SERVICE ASSUMPTIONS

The services and costs within this agreement are based on the assumptions below. Any assumption found invalid could have an effect on ability to meet service targets and/or costs charged for services. Changes to assumptions will be handled in accordance with the Service Change Control Procedure described in this agreement.

The service assumptions included with this agreement are:

SECTION IV: COSTS

<u>COST FACTOR</u>	<u>RULE AND CHARGES APPLIED</u>
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----- Anticipated Costs Per Period -----

Period 1	Period 2	Period 3	Period 4
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Example Of A Service Level Agreement Contract, Continued

SECTION V: CONTRACT MAINTENANCE

Terms for Renegotiation

Penalties/Rewards

Service Level Reporting Responsibilities

Service Problem Resolution Responsibilities

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Example Of A Service Level Agreement Contract, Continued

SECTION VI: DPC RESPONSIBILITIES

DPC will provide IT Service Management to control the services described in this agreement. DPC will appoint a Service Manager who will have responsibility for:

Coordinating DPC activities and responsibilities to address any service issues that may arise.

Interfacing with the customer Service Contact for service issues and requests for service changes.

With the customer Service Contact, administer the Service Change Control Procedure described in this agreement.

Delivering service reports to the customer Service Contact.

Maintain service communications and reviewing any service improvement actions and progress with the customer Service Contact during execution of this agreement on a regular basis.

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Example Of A Service Level Agreement Contract, Continued

SECTION VI: CUSTOMER RESPONSIBILITIES

This section identifies the customer responsibilities associated with this agreement. DPC's performance is predicated upon the responsibilities identified below.

Prior to the start of this agreement, customer will designate a person, called the Service Contact to whom all DPC communications will be addressed and who has the authority to act for customer in all aspects of this agreement.

The responsibilities of the Customer Contact include:

- Serve as the interface between DPC and all customer departments participating included in the scope of this contract.

- With the DPC Service Manager, administer the Service Change Control Procedure as described in Section VII of this agreement.

- Attend service status meetings.

- Obtain and provide information, data, decisions and approvals, within 3 working days of DPC's request unless DPC and the customer agree to an extended response time.

- Resolve deviations from service assumptions which may be caused by customer.

- Help resolve service issues and escalate issues within customer's organization, as necessary.

The following responsibilities by appropriate customer personnel involved in this project are as follows:

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Example Of A Service Level Agreement Contract, Continued

SECTION VII: SERVICE CHANGE CONTROL PROCEDURE

The following provides a detailed process to follow if a change to this agreement is required:

A Request For Change (RFC) will be the vehicle for communicating change. The RFC must describe the change, the rationale for the change and the effect the change will have on the services.

The designated contact of the requesting party will review the proposed change and determine whether to submit the request to the other party.

The receiving contact will review the proposed change and approve it for further investigation or reject it within three (3) working days. The investigation will determine the effect that the implementation of the RFC will have on service targets, service charges and service assumptions related to this agreement.

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Example Of A Service Level Agreement Contract, Continued

SECTION VIII: SIGNATURES

We have read the attached contract and terms and hereby forge an agreement according to the conditions stated therein:

Business Unit Representative: _____ Date: _____
(signature)

DPC Representative: _____ Date: _____
(signature)

Other Representative: _____ Date: _____
(signature)

We understand that these services may be extended via the Service Change Control Procedure included in Section VII of this agreement.