

<b>Decision maker:</b>	<b>Cabinet member finance and corporate services</b>
<b>Decision date:</b>	<b>Friday, 14 September 2018</b>
<b>Title of report:</b>	<b>Approve payment for Hoople services for 2018/19</b>
<b>Report by:</b>	<b>Assistant director environment and place</b>

## **Classification**

Open

## **Decision type**

Key

## **Wards affected**

(All Wards);

## **Purpose and summary**

To approve payments to Hoople for services as specified in the Hoople service level agreement for 2018/19. The cost to the council of services provided by Hoople for 2018/19 is expected to be £5.184m which represents a cost reduction of 6.5% on the previous year (£5.545m).

## **Recommendation(s)**

That:

- (a) the assistant director environment and place be authorised to finalise and sign the Hoople Service Level Agreement (SLA) for 2018/19 attached at Appendix 1; and,**
- (b) the assistant director environment and place be authorised to approve payments to Hoople in line with the SLA for 2018/19 within the approved annual budget of £5.184m.**

## **Alternative options**

1. The council's lead commissioners have considered reducing the level of services commissioned from Hoople and allocating resource differently across the services. The provision of back office services (Revenues and Benefits, Finance, HR, ICT and Training) are essential to the running of the organisation. The level of service agreed in the SLA is

considered to be optimum by the commissioners given the availability of resources and the needs of front line services.

2. Hoople, in cooperation with the council, have put in place efficiency savings which are reflected in the cost of service provision defined in the council's SLA. This includes an 8% reduction in the cost of delivery of the services. Hoople will incur the costs associated with the provision of these services during the period and it is appropriate for the council to make these payments under the Shared Services Agreement.

## **Key considerations**

### **Background**

3. Hoople was created in 2011 by Herefordshire Council, the Wye Valley Trust and the then Herefordshire Primary Care Trust as a "Teckal" or "in house" company with a vision "to provide excellent business support services to the public sector and those who work with them". Since 2011, Hoople has established itself as an effective organisation and has delivered significant cost savings to the shareholders.
4. Hoople provides a platform for development of "One Herefordshire" partnership arrangements across the public sector in the county and the model remains consistent with supporting joint working through the NHS Sustainability and Transformation Planning Process, schools, apprenticeships and the new university for Hereford.

### **Provision of services to Herefordshire Council**

5. The council commission services with Hoople through a strategic service level agreement with services provided at cost with no profit element. The Hoople SLA for 2017/18 was approved in July 2017 with an agreed revenue expenditure for the year of £5.545m.
6. The contract is reviewed on an annual basis to adjust services in line with Herefordshire Council's requirements. These reviews are carried out with the aim of putting in place a new agreement by 1 April in each year. The revised SLA for 2018/19 has been agreed between Hoople and each of the council's lead service commissioners. The services are being delivered according to this agreed specification.
7. As part of supporting the Medium Term Financial Strategy of the council, Herefordshire Council requested a significant reduction in purchased services from Hoople to achieve a reduction in the back office service costs for 2018/19. The cost of services, including efficiency savings and agreed service reduction, for 2018/19 is expected to be £5.079m which represents a cost reduction of 8% on the previous year. This has been reflected in budgets for 2018/19 for a range of services including ICT, human resources, payroll, recruitment, training support, finance, revenues and benefits.
8. The impact of the efficiency savings and reduction in services has been allocated across the SLA in negotiation with the lead commissioners and the SLA has been updated to reflect the reduced services. These changes have been approved by the council's lead commissioners and are summarized here:
  - a. ICT (£190k reduction)
    - i. Some services have been removed from the SLA and will be charged for separately, if required;
    - ii. System support capacity has been reduced in some areas with a consequent reduction in anticipated service levels.
  - b. Revenues and Benefits (£150k reduction)

- i. Reduction in establishment with potential impact on service levels;
    - ii. Impact on service levels will be closely monitored via KPIs to ensure that impacts are detected and management actions taken.
  - c. HR (£50k reduction)
    - i. Reduction in establishment with associated reduction in anticipated service levels;
  - d. Finance (110k reduction)
    - i. Reduction in establishment with associated reduction in anticipated service levels;
  - e. Training & Education (£10k reduction)
    - i. CPD online development days reduced to 10
    - ii. Lower cost of DAS system support – will have an impact if the number of apprentices increases
9. The detailed Service Level Agreement for 2018/19 has been reviewed and approved by the Council's lead commissioners for each service area and is included as Appendix A. Performance will be monitored through regular reporting and monitoring of the KPIs agreed and documented in the SLA.
  10. In addition to these savings the Hoople board has agreed, subject to conditions relating to the local government pension scheme deficit that relates to Hoople staff, to distribution of retained surpluses that would see a payment of £90k from Hoople to Herefordshire Council. The SLA changes and distribution of retained surpluses would be the equivalent of a year on year saving of £600k for the council.
  11. During SLA negotiations the council's lead commissioner for revenues and benefits identified the need for additional staff to support the council with
    - f. New full-time posts to drive the adoption of digital channels of communication by service users; and
    - g. With a new multi-skilled team which will be deployed to address peaks in workloads such as the annual council tax billing exercise. This multi-skilled team is expected to improve timing, accuracy, availability and the customer experience.
  12. The cost of this additional capability will be £105k per year and the total cost of the Hoople SLA for 2018/19 will, therefore, be £5,184k.

## **Community impact**

13. The services delivered by Hoople underpin the delivery of the range of services provided by the council, and ensuring these services are provided in the most efficient and cost effective way supports the council's corporate plan aim of making the best use of the resources available to meet the council's priorities. It is also responsible for the Revenues and Benefits service which includes direct contact with council customers.
14. In addition, Hoople has become a provider to a range of community focussed organisations, offering the back office support that enables them to continue to provide services.

## **Equality duty**

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. There are currently no specific changes identified that affect any individuals with protected characteristics and therefore we do not believe that this decision will have an impact on our equality duty.
17. The impact on equality of each specific organisational change or project identified as a result of changes to the Hoople SLA will be subject to an equality impact assessment.
18. This decision relates to the provision of back office services, Hoople is expected to carry out these services in accordance with the council’s Equality duties.

## **Resource implications**

19. The Hoople SLA for 2018/19 has been approved by each of the lead commissioners of services provided by Hoople.
20. In line with the council’s requirement for efficiency savings the cost of the Hoople SLA for 2018/19 has been set at £5.184m compared to the total value of the SLA for 2017/18 of £5.545. This represents a reduction in cost to the council of 6.5%. Services are provided to the council by Hoople at cost with no profit element. The currently expected cost of the revised SLA is entirely contained within existing support services budgets.
21. The payments to Hoople are based on an equal profile through the year with payments of £1.296m each quarter.

## **Legal implications**

22. Hoople Limited (“Hoople”) is a local authority controlled company within the meaning of the Local Government and Housing Act 1989. Through a Shared Services Agreement dated 28 March 2013 the council has engaged Hoople to provide a range of services to the council. Each year the council, through its lead commissioning officers, negotiates a specific SLA with Hoople which includes service levels, KPIs and provisions for managing deficient performance. The council’s SLA for all the services commissioned by it from Hoople is included as Appendix A.
23. The provisions of Regulation 12 of the Public Contract Regulations 2015 (“the 2015 Regulations”) apply to the relationship between the Council and Hoople Limited, allowing for the direct award of public contracts from the council to Hoople Limited so long as the specific conditions set out by that regulation apply, in particular that: the council exercises a decisive influence over both strategic objectives and significant decisions of Hoople; and more than 80% of Hoople’s activities are carried out in the performance of tasks entrusted to it by the council.

24. Whilst these circumstances apply, the council is not required under the 2015 Regulations to competitively tender contracts which it awards to Hoople Limited.

## Risk management

25. The provision of back office services is essential to the continued running of Herefordshire Council. By approving the recommendations and confirming the SLA for 2018/19, this will ensure business continuity.

Risk	Response
The cost of provision of the service may be higher than anticipated	The council will work with Hoople to stay within the agreed budget while minimising the impact of any increase in costs, looking to improve efficiency across the services or identify service reductions to minimise overall impact; the council may decide to increase its budget for Hoople services
Performance may not meet the SLA	<p>Hoople Ltd has Teckal exemption and Herefordshire Council exercises effective control over Hoople.</p> <p>Service leads address poor performance identified by the KPIs reported quarterly.</p> <p>Poor performance is reported to, and resolution is monitored by, the Chief Operating Officer of Hoople Ltd and Assistant Director for Communities of Herefordshire Council.</p> <p>Continuous poor performance will be reported to the Hoople Board, where resolution will be agreed.</p>
The council does not agree the SLA budget	Payments to Hoople will be delayed until the SLA is agreed. An interim payment for the first quarter of FY 18/19 was agreed on 12 <sup>th</sup> June 2018 and this approach could be repeated.

## Consultees

26. None.

## Appendices

Appendix A – Hoople Service Level Agreement 2018/19

## Background papers

None