



**Hoople**  
innovation in business

# **Hoople Ltd**

## **Three year update**

**12 May 2014**

## Background

Hoople Ltd (formerly The Shared Service Partnership Ltd) was one of the original Shared Services Programme initiatives which collectively were developed to save £30m over ten years.

Different delivery options for corporate services were considered (including outsourcing), but Members signed up to a Joint Venture Company with the vision of stimulating Local Employment (keeping jobs local), keeping the financial benefits of service changes within the Public Sector, partnership working - sharing skills and capacity to reduce costs.<sup>i</sup>

Herefordshire Council invested £1.2m in its Shared Service Programme in addition to a substantial investment in the Agresso IT system as part of Herefordshire Connects Programme. The original options case was developed by PA Consulting which was followed by a soft market testing exercise – the Cabinet decision to then develop a Joint Venture Company was taken in March 2010 and the associated business case was validated by Capita in October 2010.<sup>ii</sup>

The business case for Hoople was based on achieving £11m cumulative savings over ten years (Herefordshire Council element only). The company achieved national press coverage via the MJ and Shared Service Architecture and were invited to speak at a Westminster Briefing in November 2012.

In April 2011 Herefordshire Council contracted with Hoople Ltd for: Human Resources, IT, Finance Services, Training and Revenues and Benefits. Subsequently a small number of other services have been contracted for at the Council's request, namely: Internal Audit resource (ex. HC staff working for KPMG), Corporate Transformation (Project Management) and Children's Workforce Development. Hoople works flexibly with Herefordshire Council to provide services, or turn services off, at true cost. Reductions can be made by agreement, where the level of change is high the Council is contractually obliged to cover the associated costs.

The services provided to the Council have recently been further reduced as part of an ongoing programme of renegotiation of service levels. These have been consistently greater than those specified in the original contract and are seeing services change, stop and in some cases retrench back into the Council. Nonetheless since its creation the cost of core SLA services to the Council have reduced by around 50%.

Three years into a five year service contract with Herefordshire Council £4m savings (cumulative until 31/03/2013) have been achieved. These contractual reductions have had a direct impact on the Council's revenue budget.

Further savings have been made in areas outside the formal SLA contract savings, for example: £350k by creating Hoople Resourcing and offering a low cost agency service, £160k per annum for the next six years in New Homes Bonus due to reducing the empty property register, £250k via Technology efficiencies and £850k of reclaimed social care direct payments. These are additional benefits which are delivered in the main alongside the core contract. A total cumulative savings of £12m is forecast for the end of the five-year service contract.

Figure A: Business case Herefordshire Council - cumulative savings



## Growing services in Herefordshire

Hoople has done much more than just provide services to the shareholders, it has established its self as a provider of services to a range of other customers including: schools and academies, Herefordshire CCG and GPs, Taurus Healthcare and GPs, Staffordshire and Lancashire Commissioning Support Unit, River Lugg Drainage Board, the Skills Funding Agency, Local Enterprise Partnership, Halo Leisure, Job Centre Plus and many more. We work with many other organisations who receive our apprentices and recruitment services. Whereas the Council is reducing its service range and offer, Hoople is actively pursuing new opportunities. These are good for Hoople, good for the our staff, good for the value of our business and good for Herefordshire.

Our annual turnover over the past three years has been circa £16m. We have managed to maintain this level even in the face of major contract reductions from the shareholders. Whilst we make no profit from the SLA services provided to our shareholders the business continues to be profitable. However, given the continual changes imposed by the Council the Board have not had the confidence to recommend a dividend to date and instead have invested the modest profits in service development. We are currently forecasting 5-10% growth per annum, on this basis we would anticipate the potential for dividends in future years.

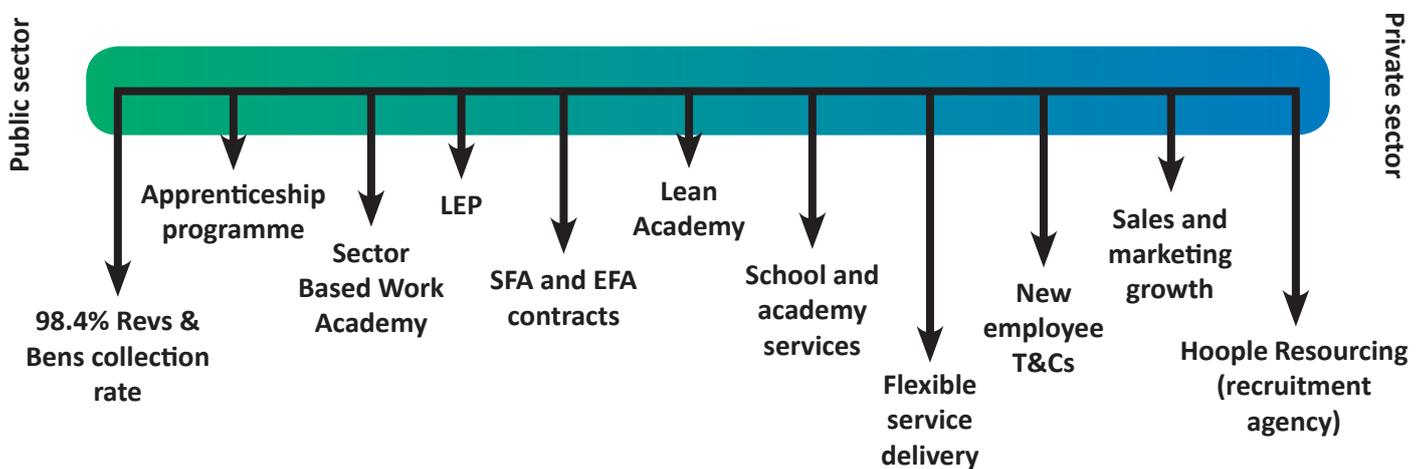
Over the past three years we have:

- Established a new high street recruitment agency providing temporary labour to the public sector and recently launched to the private market. We are also now a major supplier of supply teachers with our new actively managed service. As well as the revenue generation this service also promotes and provides jobs and work opportunities for people in Herefordshire.
- Rolled out new terms and conditions across the company (95% voluntary sign-up) which help to control cost and drive performance. For example pay progression has been linked to performance and sickness allowances have been reduced.
- Developed our own Lean Academy and trained all Hoople staff in basic techniques. We did do some work for Herefordshire Council, but this was stopped so are now providing support to private companies and other local authorities outside Herefordshire.
- Our staff attitude and culture has changed which results in better and flexible service delivery at lower costs. It is a journey and one which many of our staff have embraced by supporting brand and value development. The organisation feels very different and this is noticed by both staff, customers and other organisations.
- Marketing and promotional growth is starting to show benefits - significant effort in networking with SME and care sector (we work with around 140 care homes) with a big push on “ready-to-go” offers so as not to reduce capacity of other services on which the Council is dependant. We actively qualify work with other organisations and where appropriate resource up to manage the tendering process. We have also started to build alliances with other partners who can work alongside and support our success in securing new business.
- We have a number of significant funding contracts from the Skills Funding Agency and Education Funding Agency and they continue to support us with additional opportunities. Hoople is seen as a key independent training provider in Herefordshire and has a good reputation for vocationally competent trainers who they have been there and done it.
- We have grown our apprenticeship programme and have over 400 apprentices working towards a qualification.
- We have an Ofsted Excellence rating and have had sector based work academies running with Job Centre Plus/ private companies getting long term unemployed into work. We secured part of collaborative bid for £2.3m of European Social Fund monies via the Marches LEP, to increase skills across the county.

- Our Revenues and Benefits services are some of the best in the sector with collection rates at over 98.4% where many traditional outsourcers offer collection rates which are on average 1% lower (value to Herefordshire is c.£1.4m!).<sup>iii</sup>
- Growing market share in the Schools sector - building on capabilities and fighting off competition.
- Flexible to take on new services as required to support the Council agenda and equally able to lead in joint initiatives which reduces overall cost (e.g PSN).

Importantly we are an attractive market proposition which is generating interest from other Authorities. Many in the sector are looking at ways to “create a Hoople” and we need to capitalise on this and the opportunities it may bring for additional investment. Hoople is the perfect blend of public sector values and services and private sector culture and ambition.

Figure B: A perfect blend



## Contract for services

The contract with Herefordshire Council is underpinned by defined service level agreements (SLA) which articulate the services, performance standards and associated costs.

There are three layers of governance which are used to monitor contractual service performance with the Council, these are outlined below:

- Strategic Partnership Board (1/2 yearly) – This board focuses on the future of the partnership and strategic developments
- Contract Review Meeting (Bi-monthly) – These meetings are focused on risks, developments, escalated performance issues, change requests and contract variations
- Workstream Review Meetings (Monthly) – These meetings are between the respective commissioner and provider professional leads. They are used to review and manage performance, monitor service development specific work programmes

A common experience of support service providers is that the perceptions surrounding performance or the cause of under-performance does not always match the reality.

The service experience of Council officers and members is directly affected by: the service specification and funding which is agreed by commissioners; the responsibilities of service users to engage with the process and any associated changes; and Hoople’s capacity and capability to deliver the service.

At the monthly workstream meetings the agreed performance indicators and service volumes are reviewed. If there are performance concerns the reasons are reviewed and corrective action agreed. These actions may be for Hoople, the Council or both. If the parties cannot agree on any specific matters these can be escalated to the contract review.

Within the contract there is a provision to formally address under-performance. If the Council has performance concerns the Council can write to Hoople to set out its concerns and request a response, rectification plan and timelines – to date there have been no formal performance escalations of this type.

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## Changes in the Herefordshire Council contract

The agreed changes for 2014/15 will see Hoople's turnover reduce to c.£13M and headcount drop to around 330. The changes will reduce the level of expertise Hoople have to support the Council, but we have managed to protect areas required to support business growth activities with wider customers.

Reductions are being experienced in a range of areas and Hoople is having to manage the impact on service delivery. In some cases Hoople is having to take greater risk to ensure capability is retained for known requirements, for example project work for IT developments which are now being delivered on a call off basis using an agreed rate card.

In some areas reinstatement of internal services has been adopted by the Council which limits Hoople's ability to influence performance and share fixed costs. In others there is an expectation that the Council will manage with a lower service level. These changes are impacting the economy of scale which was originally envisaged when Hoople was created and presents some challenges for service resilience but also the ability to generate profitable revenue.

Negotiating these changes took place over a period of nearly six months. This absorbed an estimated 1000 hours of management effort. This not only has a considerable direct cost, but also a significant potential opportunity cost and so in future it is hoped reductions can be managed more pragmatically.

Over the past three years Hoople has proven to be a flexible, commercial and growing business which has retained employment in Herefordshire. If the Company is supported in its aspiration for growth then this success will continue and provide potential revenue stream for Herefordshire Council in the coming years.

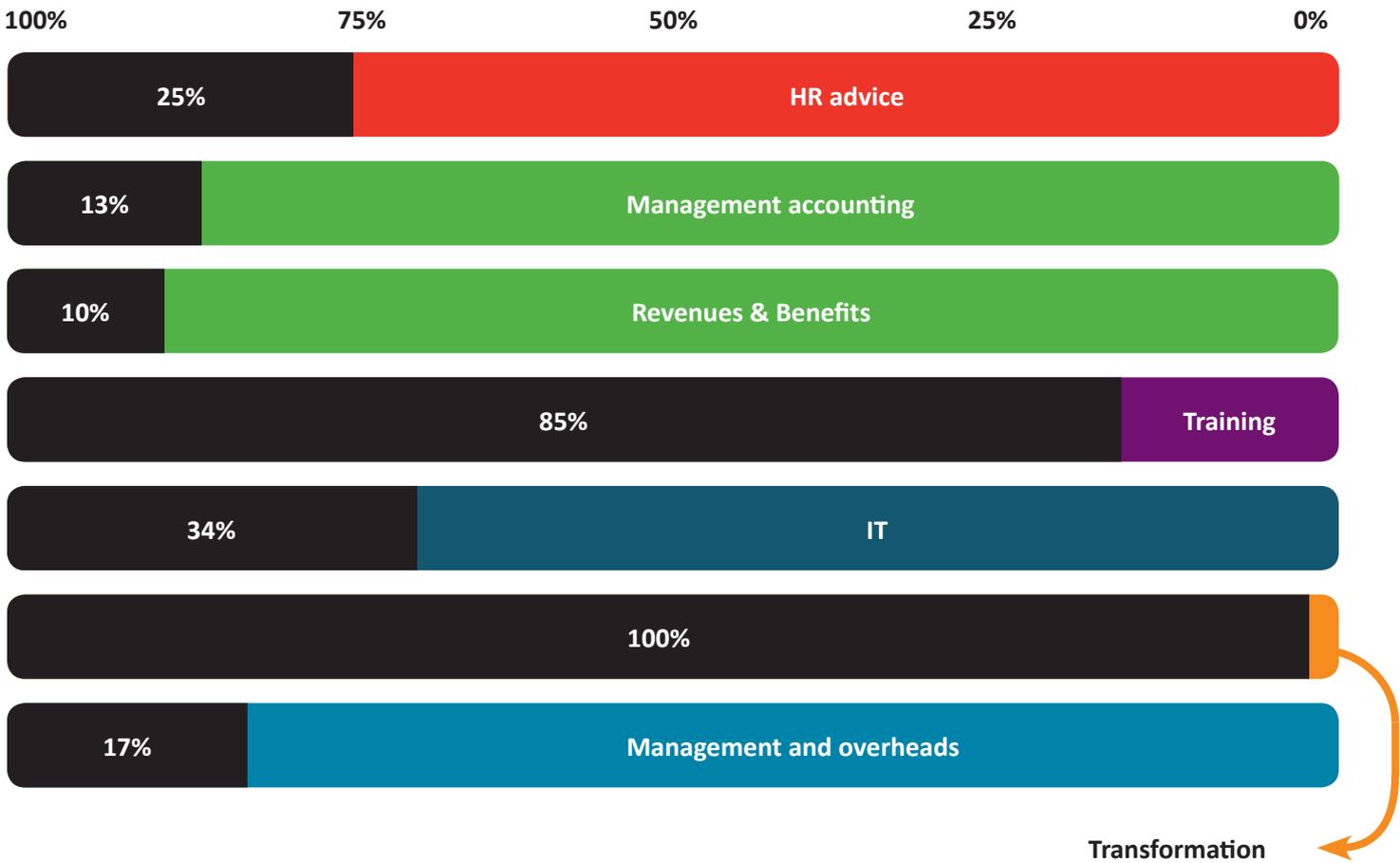
**Mike Dearing**  
**Managing Director, Hoople Ltd**

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The table and visual below highlight the principle areas of change and the impact being seen in Hoople:

Service line	Council change	Hoople impact
HR advice	<b>TBC</b> (25% reduction)	<b>TBC</b>
Management accounting	<b>Reduction in service level</b> Less direct support and more self-service, better use of systems Full cost recovery on behalf of client (13% reduction)	<b>Med risk:</b> Ability to manage peaks and troughs in demand will be reduced – this impacts work scheduling and ability to quickly take on new business <b>Low risk:</b> Co-location and management of Hoople staff by Council officers will impact commercialisation of culture and remove flexibility in teams <b>Low risk:</b> Loss of economies of scale/capacity to help Hoople deliver its own changes <b>Service capacity reduction</b>
Revenues & Benefits	<b>Reduction in service level</b> Additional automation and changes to structures to reduce headcount and increase flexibility (10% reduction)	<b>Low risk:</b> Service quality, expertise and collection statistics may be impacted – reputation and brand damage <b>Service capacity reduction</b>
Training	<b>Terminate contract with Hoople</b> Council will not buy any face to face training (85% reduction)	<b>Med risk:</b> Loss of economies of scale in professional training will require significant income growth to maintain full range of capabilities <b>Med risk:</b> Loss of private and voluntary groups as Hoople customers for training as subsidy is removed <b>Low risk:</b> If the Council does require services in future the capacity may not be available <b>Service capacity reduction</b>
IT	<b>Reduction in service level</b> Contract for break/fix only All development or change work to be funded on a project business case basis (34%)	<b>Med risk:</b> Change from shared service to bespoke service offer to provide differential service levels to the Council. <b>High risk:</b> Loss of key skills and single point of failure around specialists. <b>Med risk:</b> Hoople could be exposed if the Council do not buy development services. <b>Low risk:</b> Loss of economies of scale/capacity to help Hoople deliver its own changes <b>Low risk:</b> Additional administrative pressure to accurately cost and invoice for change requirements <b>Service capacity reduction / Service capability reduced – this will impact on Hoople’s ability to cover all areas of IT development and require greater partnering which will increase cost of offer to customers</b>
Transformation	<b>Terminate contract with Hoople</b> (100%)	<b>Low risk:</b> Demotivation for staff who were TUPE transferred from the Council for greater strategic fit and are now being told are not required (most staff have left for other jobs outside the Council). <b>Service capacity reduction – business model to be reviewed to ensure viability</b>
Management and overheads	Reduction in range of services affects scale economies and management economies (17%)	<b>Med risk:</b> Service performance and expectations may not be effectively communicated to service users which will lead to reputational impact and inability to gain references <b>Low risk:</b> Lower levels of management support will adversely impact business growth strategy

Figure C: Council savings - % reduction in Hoople contract



<sup>i</sup> Herefordshire Council Cabinet, March 2010

<sup>ii</sup> Local Government Association Shared Service Research Project Report, April 2012

<sup>iii</sup> Annual Collection Rate Statistics, Department for Communities and Local Government, June 2013