

Title of report: Hoople Service Level Agreement 2021/22

Decision maker: Cabinet member finance and corporate services

Decision date: Thursday 25 March 2021

Report by: Strategic Capital Finance Manager

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

To approve the Hoople Ltd service level agreement for 2021/22. The cost to the council of services provided, or managed by, Hoople Ltd in 2021/22 is expected to be £7.463m of which £6.691m requires approval by way of this decision. The services that Hoople Ltd are to deliver in each financial year are described in the Hoople Ltd service level agreement or the 'Hoople Ltd SLA'.

The recommendations put forward enable the services that Hoople Ltd are commissioned to provide to be fully described, adjusted as may be required to support the council's operations and then paid for in accordance with the Hoople Services Contract to the extent that they have been provided.

Recommendation(s)

That:

- a) **The S151 Officer in consultation with the Cabinet Member be authorised to finalise and sign the Hoople Service Level Agreement (SLA) for 2021/22, attached at appendix A;**
- b) **The S151 Officer be authorised to approve the payments to Hoople Ltd in line with the SLA for 2021/22 within the approved annual budget of £6.691m; and**
- c) **The S151 Officer be authorised to agree, in accord with the Hoople Services Contract, and the authority obtained by relevant budget managers, and in year adjustments to the Hoople SLA for 2021/22.**

Alternative options

1. That alternative service provision for all or part of the services described in the Hoople SLA is sought from other external provider(s). This is not recommended as the council's opportunity to support partnership arrangements across the public sector through its established model for the provision of excellent business support services will be constrained. Further, it is unlikely that the council's costs, in regard to these services will be no less than that provided by Hoople Ltd as an 'in house' company with no profit element. Such services would have to be the subject of regular procurement, the cost of which is avoided by maintaining the exemption under regulation 12 of the Public Contracts Regulations 2015. An options appraisal and procurement(s) would have to be progressed before this option could be taken, with Hoople Ltd continuing to deliver services in accord with existing contractual obligation during transition.
2. That service provision for all or part of the services described in the Hoople SLA is provided in house through directly employed staff. This is not recommended as the council's opportunity to support partnership arrangements across the public sector through the provision of excellent business support services will be lost in regard to those elements of service provided in house. Further, it is considered likely that the council's costs, in regard to its back office services will increase as all associated operational overheads would have to be directly supported by the council, as opposed to overheads being shared amongst other public sector partners and Hoople Ltd's

clients. An options appraisal would have to be progressed before this option could be taken, with Hoople Ltd continuing to deliver services in accord with existing contractual obligation during transition.

Key considerations

3. Hoople Ltd was created in 2011 by the council, the Wye Valley NHS 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 Ltd has established itself as an effective organisation and has delivered significant cost savings to the shareholders.
4. The implementation of shared services set out to:
 - deliver improved quality and more efficient and effective back office support to front line services across the partner organisations;
 - to release savings to deal with future financial constraints and/or for reinvestment in front line services; and
 - to protect jobs and investment in the County in future.

In particular, the preferred option was to provide an opportunity for the partners to provide those services to other public services providers in Herefordshire in line with the ‘localities’ agenda, maintaining and building on the strong sense of place that is characteristic of the county.

5. The above objectives remain valid and Hoople Ltd 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 other local authorities.
6. A Shared Services Agreement dated April 2011 did provide for the overarching mechanisms to manage the client / provider relationship between the council and Hoople Ltd. That agreement expired at the end of its 5 year term and has been replaced by the Hoople Ltd Services Contract dated 19 November 2020 (effective from 1 April 2019).
7. The Hoople Services Contract provides the contractual mechanisms that are required to manage the client provider relationship, including payment for the services that the council commissions from Hoople Ltd each year. These services which are then fully described in the Hoople Service Level Agreement or the ‘Hoople SLA’ include:
 - revenues and benefits;
 - finance;
 - human resources;
 - ICT;
 - training and education; and
 - reablement services.

Hoople Ltd also assist the council in its management of ICT applications that are provided by others under separate contracts to the council, this function is also described in the SLA, as managed applications. Changes for the migration of cleaning and maintenance services are subject to a separate decision and will be incorporated into a revised SLA once agreed.

8. The Hoople SLA is reviewed on an annual basis to adjust services in line with the requirements of the council's lead commissioners. The Hoople SLA for 2021/22 has been reviewed by the council's lead commissioners and is attached as Appendix A.
9. The Hoople SLA may need to be adjusted in 2021/22 to ensure that it is a plan that remains in line with the requirements of the council's lead commissioners. All adjustments to the plan should take place in accordance with the: change controls established in the Hoople Services Contract; and the authority obtained by relevant budget managers.
10. Performance will then be monitored through regular reporting and monitoring agreed and documented in the 2021/22 Hoople SLA.

Community impact

11. The services delivered by Hoople Ltd 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.
12. In addition, Hoople Ltd has become a provider to a range of community focussed organisations, offering the back office support that enables them to continue to provide services. In the County plan 2020-24 section for 'using our resources wisely' it is clear that the Council wants to direct services to benefit Herefordshire residents and businesses. By supporting this SLA with Hoople it is helping meet the objectives set out in this plan.

Environmental Impact

13. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

14. 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. Hoople Ltd is required to carry out the services that it provides to the council in accordance with the council's Equality duties.
17. The requirement to undertake an equality impact assessment (EqIA) on each year's Hoople SLA is a requirement of the Hoople Services Contract and 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 also.
18. EqIAs for the services in the 2021/22 Hoople SLA are provided as Appendix B.

Resource implications

19. The Hoople SLA for 2021/22 has been approved by each of the lead commissioners of services provided by Hoople Ltd.
20. In line with the council's requirement for efficiency savings the cost of the Hoople SLA for 2021/22 has been set at £6.691m. The table below includes an indicative profile of the allocation to deliver the services in the 2021/22 Hoople SLA, compared to the previous financial year. This is based on actual costs including agreed overheads.

Services	2020/21		2021/22	Variation
	£000		£000	£000
Revenues and Benefits	1,795		1,785	(10)
Finance	1,151		1,119	(32)
Human Resources	437		434	(3)
ICT	2,062		2,051	(11)
Training & Education	91		90	(1)
Business	8			(8)
Total SLA excluded usage based services	5,544		5,479	(65)
Reablement Services	404		1,212	808
Total SLA including services charged on usage	5,948		6,691	743

21. The overall costs of the SLA services excluded those recharges based on demand, have reduced by £65k, taking into account contract inflation and a reduction of £151k that Hoople are managing through efficiency savings with no reduction in services provided.
22. The reablement services that cover both Hillside and Homefirst are recharged based on demand usage within an overall budget of £1,212k. This recharge has increased

due to demand and because Hillside only came into use during 2021, with lower capacity during covid and the usage of the premises.

23. In addition to the above, further investment in services is being made in 2021/22, this leading to a total planned investment of £0.772m being included in the Hoople SLA as managed applications but is paid directly to the supplier from the Council and not to Hoople.
24. As such, the total value of the services included in the scope of the 2021/22 SLA is £7.463m.
25. Services are provided to the council by Hoople Ltd at cost with no profit element. The current expected cost of the 2021/22 SLA is entirely contained within existing support services budgets. The Hoople Services Contract establishes payment on a cost reimbursable basis, with no profit element.

Legal implications

26. The use of Hoople Ltd for the provision of services described in this report, complies with regulation 12 of the Public Contract Regulations 2015 (which codified the so-called "Teckal" exemption derived from the decisions of the Court of Justice of the European Union). This permits the Council together with other contracting authorities the right to contract directly with a legal person where:
 - a) they jointly exercise control over that legal person which is similar to that which they exercise over their own departments;
 - b) more than 80% of the activities of that legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authorities; and
 - c) there is no direct private capital participation in the controlled legal person with the exception of non-controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Retained Treaties, which do not exert a decisive influence on the controlled legal person.
27. As all the above conditions are met the Council is lawfully permitted to contract with Hoople Ltd directly.

Risk management

28. The provision of back office services is essential to the continued running of the council. By approving the recommendations and confirming the SLA for 2021/22, this will ensure business continuity.
29. Key risks are summarised below.

Risk / opportunity	Mitigation
The cost of provision of the service may be higher than anticipated.	The council will work with Hoople Ltd 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 Ltd services, or reduce levels of service. The overarching Hoople Services Contract provides robust budget management processes.
Performance may not meet the SLA.	The Hoople Services Contract provides robust performance management processes. Poor performance is reported to, and resolution is monitored by, the Chief Operating Officer of Hoople Ltd and the s151 Officer for the council. Continuous poor performance will be escalated through the resolution processes established by the Hoople Services Contract.
The council does not agree the SLA budget and the SLA is not agreed.	The Hoople Services Contract establishes the mechanisms by which Hoople Ltd will be paid for all commissioned by the council.
If current KPIs as identified within the Hoople Ltd SLA do not have in place supporting methodologies then there is a risk that some calculations could be misinterpreted or that supporting evidence is not retained for assurance purposes.	Formal review of each current KPI measurement to include methodology, any relevant volumetric, boundaries, any applicable quality outcomes, should take place and be fully documented as part of the annual planning process to ensure that all data presented in support of KPIs is sufficient, relevant, reliable and useful and any data supporting calculations should be retained for an agreed period to allow independent review, if required for assurance purposes.

If Business Continuity Plans (BCPs) are not reviewed at a minimum of every two years for currency or when senior members of management leave who are directly identified, then they may not be capable of fully supporting any disaster recovery scenario in support of the Hoople Ltd SLA.

Each Hoople SLA identified section should have their BCP reviewed as a minimum of every two years or when senior managers identified within the BCP leave Hoople Ltd and/or the council.

Each BCP should also have an agreed review date added to the version control section for transparency of the review process.

Consultees

30. Political groups have been consulted via email correspondence to all members on 26 February 2021 asking them to advise group leaders of their comments by 4 March 2021 for response by political group's by 10 March 2021. No responses were received by the 11 March 2021 so we can only presume the SLA is fully supported.

Appendices

Appendix A – Hoople Service Level Agreement 2021/22

Appendix B – Equality Impact Assessment

Background papers

None