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| DECISION TITLE: Confirmation of changes to the contractual relationship with Serco as a result of 2015 / 16 budget savings |
| Councillor Seaton, Cabinet Member for Resources |
| March 2015 |
| Deadline date: March 2015 |

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| Cabinet portfolio holder: | Councillor Seaton, Cabinet Member for Resources John Harrison, Corporate Director Resources |
| Responsible Director: | |
| Is this a Key Decision? | If yes has it been included on the Forward Plan: Yes Unique Key decision Reference from Forward Plan: KEY/06MAR15/05 |
| Is this decision eligible for call-in? | YES |
| Does this Public report have any annex that contains exempt information? | NO |
| Is this a project and if so has it been registered on Verto? | NO |

R E C O M M E N D A T I O N S

The Cabinet Member is recommended to:

- 1) confirm changes to the contractual relationship with Serco – to be given effect through a series of Notices of Change – as a result of the budget savings accepted by Full Council on 4 March 2015 which include:
 - a reduction of 15 per cent in business support work undertaken;
 - a reduction to the cost of the core contract subsequent to the council’s evaluation of the resources needed to complete important transformation projects; and
 - further savings in ICT arising from greater use of cloud technology.

- 2) Delegate authority to the Corporate Director Resources to finalise the contractual arrangements to exercise the option to extend the contract from 10 to 20 years.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report is submitted to the Cabinet Member for Resources to approve the contractual changes arising from budget savings in respect of Serco.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.6 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (b).

3. TIMESCALE

| | | | |
|---|-----------|---|------------|
| Is this a Major Policy Item/Statutory Plan? | NO | If Yes, date for relevant Cabinet Meeting | N/A |
|---|-----------|---|------------|

4. DETAILS OF DECISION REQUIRED

4.1 *Reducing spend on / with Serco*

- 4.1.1 The Peterborough Serco Strategic Partnership manages many of our back office functions including our business support staff, the council tax and benefits teams, strategic improvement and project support, customer services and finance systems.

- 4.1.2 This CMDN proposes that the Cabinet Member for Resources:

- confirms the savings detailed in paragraph 4.2, 4.3 and 4.4 of this report, which were approved by Full Council on 4 March 2015; and
- delegates authority to the Corporate Director Resources to negotiate further savings arising from an extension to the existing contractual arrangements with Serco.

4.2 *Business support*

- 4.2.1 The council spends £3.5m each year with Serco on business support.

- 4.2.2 The proposal approved in phase one was to reduce this spend by £1m in 2015/16, by council departments removing 30 per cent of business support work undertaken.

- 4.2.3 In light of further work, including through the published phase two budget proposals, it is recognised that there is a need to retain more business support staff. This saving proposal is therefore reduced from £1m to £500,000, a reduction of 15 per cent in business support work undertaken. This position will continue to be monitored to see if further savings can be identified in the future.

4.3 *Other Elements of the Contract*

- 4.3.1 The contract also covers services such as the central funding unit which researches what external funding is available to the council and supports in preparing bids, as well as business intelligence and analysis, and project management. The use of these resources is planned on an annual basis.

- 4.3.2 The council has evaluated the resources needed to complete important transformation projects and reduced the cost of the core contract accordingly. The Council has also decided to withdraw its financial support for the current Central Funding Unit provided by Serco.

- 4.3.3 Additional savings will be achieved through negotiation of an extension of the existing contractual relationships with Serco.

4.3.4 The Peterborough Serco Strategic Partnership was signed for an initial period of 10 years, with the option of extending for a further 10 years, over two five year periods. Under this proposal, the Council will take up the option to extend.

4.4 ICT contract

4.4.1 There will be further savings in ICT arising from greater use of cloud technology.

4.5 Summary of Projected Savings

| 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------|---------|---------|---------|---------|
| -2,480 | -2,065 | -2,004 | -2,004 | -2,004 |

5. CONSULTATION

5.1 The Serco savings have been through the following consultations:-

Phase 1

- Public Consultation – 14 November 2014
- Cabinet – 15 December 2014
- Full Council – 17 December 2014

Phase 2

- Public Consultation – 28 January 2015
- Cabinet – 19 February 2015
- Full Council – 4 March 2015

6. ANTICIPATED OUTCOMES

6.1 The savings help secure a balanced budget for 2015/16.

6.2 Savings will be formalised through a series of contractual Notices of Change to be signed off between the Corporate Director Resources (PCC) and Public Services Managing Director (Serco).

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

7.1 It is recommended that in order to achieve the overall required budget for Peterborough City Council in 2015 / 16 that these savings be approved.

7.2 Members of the public and the Cross Party Budget Working Group have been fully consulted. The overall reduction in spend was approved at Full Council on 4 March.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 To do nothing, however this would result in being unable to secure better value-for-money for the Council than the existing arrangement provides.

9. IMPLICATIONS

9.1 Approval of these recommendations will trigger detailed discussion between the Council and Serco to conclude the contractual Notices of Change that will underpin the savings.

9.2 We anticipate no impact on front-line services as a result of these changes.

9.3 Financial

9.3.1 The changes to the contract outlined above are expected to deliver a saving to PCC of £2.48m in 2015/16.

9.4 Legal Implications

9.4.1 The Local Government (Contracts) Act 1997 makes provision about the powers of local authorities to enter into contracts. Every statutory provision conferring or imposing a function on a local authority confers power on the local authority to enter into a contract with another person for the provision or making available of assets or services, or both, for the purposes of, or in connection with, the discharge of the function by the local authority.

The Localism Act 2011 provides councils with a General Power of Competence.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None.

11. BACKGROUND DOCUMENTS

None.