

EXTENSION OF THE PETERBOROUGH SERCO STRATEGIC PARTNERSHIP SERVICES AGREEMENT

COUNCILLOR DAVID SEATON, CABINET MEMBER FOR RESOURCES

NOVEMBER 2018

Deadline date: 30 NOVEMBER 2018

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources Peter Carpenter, Corporate Director of Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: Yes Unique Key decision Reference from Forward Plan: KEY/12NOV/18/03
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

RECOMMENDATIONS

The Cabinet Member is recommended to authorise extension of the Peterborough Serco Strategic Partnership Services Agreement with Serco Limited for a period of ten years between 28 November 2021 to 27 November 2031. The estimated value of the ten year extension shall be up to a maximum of £105,000,000.

1. SUMMARY OF MAIN ISSUES

- 1.1 The Council and Serco Limited (“Serco”) entered into the Peterborough Serco Strategic Partnership (“PSSP”) Services Agreement on 25 November 2011 for the provision of a range of services for a duration of ten years with the option to extend the contract period for a further period of up to ten years. The option to extend the initial ten year contract period was provided for within the procurement documentation and the PSSP Services Agreement in acknowledgement that both the Council and Serco are working to achieve a long term partnership and that the services provided under the strategic partnership represent value for money.
- 1.2 In 2015, the Cabinet Member (MAY15/CMDN/47) authorised 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. These included a reduction 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. The Cabinet Member also delegated authority to the former Corporate Director Resources to finalise the contractual arrangements to exercise the option to extend the contract by ten years.

- 1.3 The parties have agreed to work in partnership for the proposed extension period in order to deliver a best value and fit for purpose service. Therefore, authority is required in order to formalise the extension period of the PSSP Services Agreement for a period of ten years between 28 November 2021 and 27 November 2031 and reconcile the original decision (MAY15/CMDN/47) to finalise the contractual arrangements to exercise the option to extend the agreement. Based upon the unindexed current forecast for Contract Year 10, the estimated value of the ten year extension shall be up to £105,000,000.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.3 and 3.4.8(a) of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (p).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
---	-----------

4. DETAILS OF DECISION REQUIRED

- 4.1 The extension of the Peterborough Serco Strategic Partnership Services Agreement for a period of ten years shall enable the Council to secure its service delivery throughout this period. The extension shall impact on a variety of different services across the Council that fall within the scope of the agreement. At present these include:
- Shared Transactional Services (Accounts Receivable, Accounts Payable, Revenues and Benefits);
 - Customer Services;
 - Procurement;
 - Business Transformation and Strategic Improvement;
 - Business Support; and
 - Financial Systems Support.
- 4.2 The Council and Serco acknowledge that they are working to achieve a long term partnership and by agreeing to extend the PSSP Services Agreement, both parties shall continue to work in partnership to ensure a fit for purpose and measurable service, with service improvements, is delivered to the Council. The long term partnership shall deliver measurable savings against base-line budget and create flexible and sustainable services.
- 4.3 The Cabinet Member is therefore recommended to authorise extension of the PSSP Services, following which a Deed of Extension shall be entered into formalising the extension. This shall reconcile the original decision (MAY15/CMDN/47) to delegate authority to finalise the contractual arrangements to exercise the option to extend the agreement, with the constitutional requirements of the Council in relation to authority to extend the PSSP Services Agreement due to the value exceeding £500,000.

5. CONSULTATION

- 5.1 Consultation has been undertaken with the Cabinet Member for Resources, Corporate Director Resources, relevant service leads within the Council, the heads of service delivery within Serco and legal services for both parties.

6. ANTICIPATED OUTCOMES

- 6.1 To formalise the extension period and for both parties to enter into a Deed of Extension ratifying the decision to extend the PSSP Services Agreement for a period of ten years between 28 November 2021 and 27 November 2031. This outcome is in acknowledgement that both parties are working to achieve a long term partnership, representing value for money for the services provided under the scope of the PSSP Services Agreement.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 In 2015, the Cabinet Member (MAY15/CMDN/47) delegated authority to the former Corporate Director Resources to finalise the contractual arrangements to exercise the option to extend the contract by ten years. The reason for the recommendation is in order to reconcile the original decision with the constitutional requirements of the Council in relation to authority to extend the PSSP Services Agreement due to the value of the ten year extension exceeding £500,000.
- 7.2 The extension to the PSSP Services Agreement is in acknowledgement that both the Council and Serco are working to achieve a long term partnership. This is considered the best outcome for the Council in terms of the services provided under the strategic partnership representing value for money and the future direction of the Council, and the parties' agreement to work in partnership to ensure the key objectives of the PSSP Services Agreement are met.
- 7.3 The extension of the PSSP Services Agreement shall ensure that arrangements are in place to enable the Council to secure its service delivery objectives, offering the best approach for the Council's requirements.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 To not extend the PSSP Agreement for the ten year extension period. However, the parties acknowledge they are working together to achieve a long term partnership and the ten year extension period provides the best value solution for enabling the Council to secure its service delivery objectives and deliver measurable savings against base-line budget.
- 8.2 To exercise the option to extend the PSSP Services Agreement in two tranches each of five years prior to the agreement's expiry date in 2021. This was discounted on the basis the parties are working to achieve a long term partnership and the benefits this long term partnership can bring to ensure best value solutions.
- 8.3 Consideration of an alternative model. This was discounted on the basis the strategic partnership was competitively procured for a potential twenty years of service delivery and it is in the Council's best interests to continue the partnership in order to secure best value for its service delivery objectives.

9. IMPLICATIONS

9.1 Financial

9.1.1 At present, the forecasted cost of the PSSP Services Agreement in Contract Year 10 is anticipated to be circa £10.5m (including Notice of Change agreed to date, yet exclusive of indexation). Based upon the unindexed current forecast for Contract Year 10, the estimated value of the ten year extension shall be up to £105,000,000, however the Council and Serco are working in partnership to ensure the PSSP Services Agreement (i) delivers fit for purpose services to the Council; (ii) provides best value solutions to enable the Council to secure its service delivery objectives; (iii) creates flexible and sustainable services; and (iv) economically commensurate for both parties for the duration of the extension period.

9.2 Legal & Procurement

9.2.1 The PSSP Services Agreement was awarded to Serco under the Public Contracts Regulations 2006, following an OJEU procurement process. Based upon the OJEU Notice, and the PSSP Services Agreement, it is clear that the duration of the contract was to include an initial 10 year contract period plus the option to extend the partnership for further periods up to a total of 10 years from the initial date of expiry (20 years in total). To extend the agreement for the requested duration is therefore compliant with Regulation 72 (Modifications of contracts during their term) of the Public Contracts Regulations 2015.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

10.1 None.

11. BACKGROUND DOCUMENTS

- Key Decision reference - MAY15/CMDN/47
- PSSP Services Agreement dated 25 November 2011 and associated contractual documentation