

Excerpt of draft Cabinet Minutes – 11 March 2015.

**156. Report on Strategic Services Partnering Agreement with SERCO
(Decision: 01104393)**

Councillor J. Kent remarked that the circulated report had been a late 'to follow' report which he did not usually accept, however an exception had been made because of ongoing discussions with SERCO which were still taking place.

Councillor Holloway, Cabinet Member for Central Services, introduced the report and in doing so explained that work had begun to improve the contract and that all options were being explored, which ranged from minor alterations to complete termination of the contract.

Members were advised that the underlying principles being used to drive forward the discussions were that the contract should provide value for money to the Council, quality service provision and low risk in relation to service and delivery failure.

The Cabinet Member advised that the Council needed to plan this work to meet its medium term financial strategy target and that the outcome may need to change the 2015/16 budget envelope.

Cabinet were informed that due to the nature and pace of discussions a decision may be required during the pre-election period, and as a result of these factors it was proposed that authority be delegated to the Chief Executive in consultation with the Leader of the Council, Portfolio Holder for Central Services and Transformation and Opposition Group Leaders to finalise agreements as needed.

The Cabinet Member remarked that as Members would be aware, the Council was under continued pressure to reduce spending across all services to meet the reduced budgetary provision. She further reported that the Council's priority had been to maintain crucial front line services for residents and manage cuts in non-critical back office functions or deliver services differently in order to achieve cost savings.

Members were advised that the annual cost of the SERCO contract was over £18 million for 2014/15 which represented approximately 17% of the Council's total revenue expenditure. As a result the Cabinet Member felt that it was only right that officers be asked to look very critically at this contract and ask them to identify the best way forward.

The Leader invited Councillor Gledhill, the Leader of the Opposition, to read the two questions that he had submitted and asked Councillor Snell to join the debate due to the importance of the issue.

Councillor Gledhill questioned the Portfolio Holder and received responses on the following matters:

- Councillor Gledhill asked the Portfolio Holder to confirm whether SERCO's reported performance on the contract was accurate.

The Cabinet Member for Central Services confirmed that the Council had undertaken an audit of reported performance and the audit identified areas of reported performance which could not be verified by the Council.

Councillor Gledhill felt that this was disturbing and asked a supplementary question that given the publicity around SERCO's other public sector contracts whether the Portfolio Holder could confirm to the best of her knowledge that similar failings had not occurred in Thurrock's contract.

The Cabinet Member stated that she could not confirm that, and that she was aware that there had been admitted failings which amounted to a breach of the contract in some areas.

- Councillor Gledhill asked his second question to the Portfolio Holder and asked whether she could confirm whether Thurrock was getting value for money from their strategic partner, SERCO.

The Cabinet Member observed that demands on local government to be transparent about every penny that was spent had rightly grown over recent years. She explained that the Council published all spend over £500 and put staffing salaries on the website and that Members would also be aware of the significant savings that had been achieved and were continue to be needed going forward. She reported that the Council's strategic partner SERCO had failed to provide the Council to date with the level of information that was needed for her to be able to answer the question and that she knew the Chief Executive had repeatedly requested staffing information from SERCO which had not been provided.

The Cabinet Member asked what had SERCO got to hide, and questioned whether this was the sort of behaviour that the Council expected from a strategic partner, to whom over £20 million was paid every year.

Councillor Gledhill remarked that it appeared nothing had changed in this contract since it was in his portfolio over 5 years ago, other than the provider's name. He observed that it was cold comfort that he was not the only person who had difficulty in trying to get the strategic partner to be more open and transparent so that residents could actually see what they paid over £350 for each year. As a result he requested whether it would be appropriate that a report be referred to the next meeting of full Council so that all Members could ask questions on this service if progress was not going to move forward, or if further time would be allowed for Members question time.

Councillor Holloway agreed that it was unacceptable that this had been going on for so long and also felt that all Councillors should have the opportunity to discuss this item because it had wide ranging ramifications.

Councillor J. Kent endorsed Councillor Holloway's view that it would be useful if a report was referred to full Council, but he wanted to avoid this if it would be counter-productive to negotiations taking place behind the scenes. As a result he explained that he was committed to this in principle but not an absolute certainty that this would happen.

Councillor J. Kent further added that in the effort to be open and transparent it may be beneficial to establish a Members Working Group on a cross-party basis in order to review the open book information that is provided to the Council by SERCO. He felt that this would also provide the opportunity for Members cross-party to call SERCO managers to meetings in order to hold them to account if the Council was unable to agree a mutually agreeable settlement.

Councillor Snell noted that the Council would be liable for the voluntary termination payments should the authority wish to terminate the contract. He remarked that whilst this was an option, he did not want this to impact on the amount of money the Council spent and front line services.

Councillor J. Kent agreed that this was right, and that all options were still open in order for the Council to try to get the best outcome for Thurrock and residents. He felt that the Council should not be scared to terminate the contract, and remarked that similarly if SERCO could bring forward changes that officers were confident would led to improved services and delivery on savings that they had previously failed to deliver year on year that this would also be a good outcome.

Councillor Speight agreed that it was important not to close down any options and felt that the establishment of a Members Working Group would be a good idea so that all Members could contribute to the process in order to drive forward positive change.

Councillor J. Kent requested that a new recommendation be agreed in order to establish a cross-party Members Working Group to review the open book information provided to the Council by SERCO. He added that the Membership of the group should be examined outside of the meeting, but that it would be appropriate for Group Leaders, Portfolio Holder's and Shadow Portfolio Holder's to be involved in the process.

Councillor Holloway welcomed the idea, to which Members were in unanimous agreement.

RESOLVED:

- 1. Cabinet is recommended to delegate authority to the Chief Executive, in consultation with the Leader of the Council, the Portfolio holder for Central Services and Transformation, and opposition Group Leaders to,**
 - 1.1 Enter into and pursue without prejudice discussions with Serco Limited with a view to arriving at a mutually agreeable solution which will achieve the Council's economic and strategic objectives, including the options to partially or completely terminate the Strategic Services Partnership Agreement.**

- 2. If, following discussions with Serco Limited, it is concluded that either partial or complete termination of the SSPA is the best option and in the best financial /economic and strategic interests of the Council, to:**
 - 2.1 Enter into negotiations with, and, in the event such negotiations are concluded and need to be implemented before the next Cabinet meeting, to finalise terms and facilitate that the Council enter into any and such agreement(s) with Serco Limited, its subcontractors and/or agents and do anything and take such actions as are deemed necessary, appropriate and affordable, to vary or terminate (whether partially or fully) the current contractual arrangements with Serco Limited under the SSPA.**

- 3. To recommend to Council any necessary changes to the revenue and capital budget framework to deliver the necessary outcome from negotiations.**

- 4. That a cross-party Members Working Group be established to review the open book information provided to the Council by SERCO.**

Reason for Decision - as stated in the report
This decision is subject to call-in