

19 November 2015		ITEM: 5
Corporate Overview and Scrutiny Committee		
Serco Transition Update		
Wards and communities affected: All	Key Decision: Non-Key	
Report of: Matthew Essex, Head of Regeneration		
Accountable Head of Service: Matthew Essex, Head of Regeneration		
Accountable Director: Steve Cox, Assistant Chief Executive		
This report is Public		

Executive Summary

On the 21st July 2015 the Council and SERCO announced that they had mutually agreed to terminate the Shared Services Partnership Agreement under which SERCO were responsible for the provision of a range of mainly back office and support services and functions.

Following an initial period of due diligence, the Council and Serco have been working together to put in place the necessary arrangements to transfer the 350 permanent staff, around 75 contracts and c.£3m worth of equipment which currently deliver services under the c.£18m contract to the Council on the planned transfer date of 1st December 2015.

This report outlines the broad background to the transition programme, the work completed to date and the proposals for the hosting and management of the returning services.

1. Recommendation(s)

1.1 Members are asked to acknowledge the work completed to date and the progress achieved in transferring services back to the Council.

2. Introduction and Background

2.1 Thurrock Council entered into the 15 year Strategic Services Partnership (SSPA) contract with Vertex in 2004. Vertex was subsequently acquired by SERCO in 2012 which took on the obligations of the contract with the Council. Under the SSPA, SERCO is responsible for delivering a range of services to the Council in areas as broad as Customer Service, Revenues and Benefits, ICT and Business Administration. Over the 11 years that the contract has

been in place there have been a range of changes with services expanding and contracting and some areas being returned to the Council (Highways Management etc). At the present time the contract has a value of around £18m per annum.

- 2.2 Since taking on the contract, SERCO and the Council have been in almost continuous dialogue over how to reduce the cost of the contract in the face of the Council's reducing budgets. Ultimately it was concluded by both parties that the contract was not an appropriate form of agreement to meet the Council's requirements in respect of available finances and best value or SERCO's needs as a private sector partner. On this basis, the Council and SERCO jointly announced their intention to terminate the SSPA on the 21st July 2015 with responsibility for delivery of the services returning to the Council on the 1st December 2015.
- 2.3 Given that it had been more than 10 years since the Council had been directly responsible for the services currently delivered by SERCO it was necessary, immediately following the announcement, to undertake a detailed due diligence exercise which ran through the remainder of July up to the end of August 2015. Since then, the focus has been on putting in place the arrangements necessary to secure the transfer of the staff, systems, contract and assets which are used in delivering the service. Progress on all of these items is reviewed below.
- 2.4 Recognising the scale of the work required to secure the efficient and effective transfer of the services back to the Council a clear management and governance structure has been put in place for the programme. A dedicated Programme Manager was appointed following an internal recruitment exercise (Head of Regeneration) who coordinates all of the relevant workstreams and reports in to Director's Board via the Assistant Chief Executive. Transition Leads have been identified in all relevant Directorates or Departments to oversee the staff consultation and engagement processes and dedicated officers have been assigned management roles in respect of IT systems, third party contracts and finance/budgeting. Member level oversight has been undertaken by Cabinet through the monthly Shaping the Council update reports.

3. Issues, Options and Analysis of Options

Due Diligence

- 3.1 As has been noted elsewhere, the first part of the transition process focussed on the completion of a detailed due diligence exercise to gain a complete understanding of the services which are transferring back to the Council. Whilst this exercise didn't identify any major issues or obstacles to the transfer it did help shape some significant principles which have subsequently underpinned the transition:

- Services should be returned to the areas of the Council that they currently support – this has seen business administration resource, for instance, dispersed across the authority rather than being managed from a single location;
- Disruption should be minimised wherever possible – recognising that the Council will have a relatively limited understanding of the services on day one of operation, they are being transferred in largely the same state such that the same people will be delivering the same services on the same systems from the same locations as they currently do. This does not preclude reviews in the future; and
- Staff support and services are critical – outside of the transfer itself, effort is being invested in making sure that HR and Payroll services are ready for the transfer.

3.2 Following the conclusion of the due diligence process the Council and SERCO signed off a high level transition plan outlining the various tasks required on both sides to successfully transfer services to the Council. Work going forward was broadly contained within three areas; people, contracts and systems. Progress in respect of each is briefly outlined below.

People

- 3.3 Through the due diligence process, c.350 permanent SERCO staff have been identified who will transfer to the Council through TUPE. In addition to these, the services are currently supported with around 100 agency staff and up to 10 contractors (mainly within IT). The number of agency staff is higher than would normally be anticipated as SERCO have sought to minimise permanent recruitment since discussions started on terminating the SSPA. Whilst all of the permanent staff will transfer to the Council, there is no formal obligation (under TUPE at least) for the agency staff and contractors to be transferred. However, it was clear through the due diligence process that many of these individuals are filling important roles or possess specific skills which make them critical to the delivery of the transferring services. To minimise potential disruption, discussions have been held with the suppliers of the agency staff and contractors to ensure that they remain in place beyond the termination date. These arrangements can then be reviewed in the future as the Council gets a clearer understanding of the transferred services.
- 3.4 It had been hoped that the HR/Payroll functions could be returned to the Council on the 1st November 2015; one month ahead of the planned transfer of the majority of the functions on the 1st December 2015. This was expected to ensure that the Council had sufficient capacity to manage the return of the main body of the staff and set them up on the relevant systems. Unfortunately it has not been possible to transfer HR/Payroll early and they will instead transfer with the bulk of the staff on the 1st December 2015, however the capacity that they provide has been made available to support the transition. Consultation with the HR/Payroll staff commenced on the 16th September 2015 and consultation with the remaining staff started in waves from the 23rd September 2015. There have been a variety of issues raised through the

consultation processes on terms and conditions etc but these have been relatively limited by virtue of the limited initial change which the Council is seeking to make to avoid unnecessary disruption.

Contracts

- 3.5 In total around 75 contracts have been identified which SERCO use to support the delivery of the services to the Council. These cover everything from the provision of agency staff and facilities management through to the licenses and services which support the Council's IT systems and total around £8m in expenditure. Whilst the majority of these will need to be transferred there are a limited number which will not be required and are likely to come to an end. The Council is working with SERCO to secure the novation or transfer of the required contracts and close down the others. Despite some initial concerns about the potential for additional costs arising from early termination which, under the terms of the agreement with SERCO, the Council would have borne it now seems that all major contracts can be transferred with no additional costs.
- 3.6 The Council is taking the opportunity, where possible, to review terms and conditions and associated rates on the contracts and determine whether it is receiving best value. In a limited number of cases it will be possible to renegotiate terms and conditions as part of the transfer of the contracts, however in the majority of cases the Council will need to look to use the next review or break to renegotiate or, potentially, re-procure the services.

Systems

- 3.7 The majority of the transferring services are using systems which are already owned by the Council and operated/serviced on their behalf by SERCO. This makes the transfer of the majority of this area relatively straightforward. There have been issues where this has not been the case where the Council will have to make alternative provisions to replace systems which will no longer be available. The most significant of these is in respect of the systems which support the call centre – a critical area of the Council's operations. The current system has reached the end of its working life and is no longer supported by the provider. Prior to the termination of the SSPA the Council and SERCO were in discussions to move the Council onto a new, SERCO owned virtual systems but, with the contract now being terminated, that is no longer appropriate.
- 3.8 As a result, the Council has moved to put a low cost, interim solution in place which will provide the opportunity for the call centre to be reviewed as part of a wider consideration of the Council's approach to Customer Services. This review will determine the system requirements for the call centre (and other functions) which can then be subject to an appropriate procurement exercise.
- 3.9 Beyond the items outlined above the highest rated remaining risk in respect of the transfer is around ensuring that the Council is able to pay staff correctly in

December 2015. Given the proximity of the December pay date to Christmas this is considered particularly important. Additional resource has been brought in to manage this area of work directly and test pay roll runs are already underway to address any issues in advance of the live run being made.

4. Reasons for Recommendation

- 4.1 The transfer of services back to the Council from SERCO will see an increase in the Council's level of direct responsibility. Corporate Overview and Scrutiny Committee is invited to review the proposals and progress made to date and consider whether they are appropriate.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The transition arrangements are routinely reported to Cabinet via the monthly Shaping the Council report.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The services currently provided by SERCO and due to return to the Council span a range of back office and front of house functions which will have differing levels of impact on the Council's policies and priorities. However, they do contain services which are critical to the Council's ability to effectively perform its duties – including all IT systems and Customer Services - and to the community (Revenues and Benefits etc). The effective transfer and efficient operation of these services is vital to ensuring seamless continuation of service delivery.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Strategic Resources Accountant

The financial benefit of transferring services from SERCO to the Council is built into the Council's MTFS. Through the due diligence process efforts have been made to identify any further liabilities or potential costs to the Council and, where these arise, to contain them within the existing budget allocation. Generally however, it is anticipated that having direct control over the services will enable the Council to drive greater efficiencies and generate further savings over time.

7.2 Legal

Implications verified by: **Eldred Taylor-Camara**

Legal Group Manager (Strategic Partnerships & Procurement)

The transfer process is being taken forward under the terms of the Termination Agreement agreed with SERCO. Efforts are being made to minimise any financial exposure or liability to the Council from transferring staff and contracts with all of the third party contracts subject to specific novation agreements.

The Council's in-house Legal Services are supporting officers with the legal aspects of the transition, with additional expert legal support being drafted in for specialist advice from external legal advisers.

7.3 Diversity and Equality

Implications verified by: **Becky Price**
Community Development Officer

As outlined within the body of the report, efforts are being made to maintain the current levels and systems for service provision to minimise disruption to the Council and the public/service users as far as possible. This should ensure that any specific arrangements to support access to services are retained. Care should be taken in any future consideration of service delivery models to ensure that the needs of protected groups are addressed.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

9. Appendices to the report

- None

Report Author:

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