



Walsall Council

Children & Young People's Services

Report to: Schools Forum

Date: 14 June 2011

Subject: Serco Profit Margin

Contact: Darrell Harman (harmand@walsall.gov.uk)

Purpose of the report: To provide information to a request that was made at the Schools Forum on 16th March for information on Serco's profit margin.

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Serco Profit Margin

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The contract between the council and Serco states;

"Commercially Sensitive Information" means the information listed in schedule 4.1 (Commercially Sensitive Information) comprising the information of a commercially sensitive nature relating to the Contractor, its Intellectual Property Rights or its business or which the Contractor has indicated to the Council that, if disclosed by the Council, would cause the Contractor significant commercial disadvantage or material financial loss;"

Serco's pricing model is one of the items listed in schedule 4.1 and Serco have advised that sharing information regarding their profit levels constitutes 'significant commercial disadvantage' and on that basis the council cannot share the information.

The Schools Forum will be reassured to know that there is a profit sharing mechanism within the contract that is applied if the Serco profit margin exceeds an agreed level – the contract states;

"Profits Excess" shall mean the amount by which the Actual Profit in respect of any Contract Year during the Term exceeds the Profit Level applicable to that Contract Year. The Contractor shall retain 50% of any Profits Excess in respect of any Contract Year and the remaining 50% shall constitute the Council's "Gainshare".

Information in the public domain is only available at Serco Group Level and their most recent announcement stated;

- **Serco Group plc Stock Exchange Announcement, 2nd March 2011**
 - Adjusted operating profit margin increase of 19bps to 6.0%

Source; http://www.serco.com/Images/FY10ResultsSEA_tcm3-37331.pdf

Darrell Harman

Education Contract Manager