

theguardian

Serco reports 27% rise in profits

Prison and healthcare outsourcing company insists its work for UK government has not grown more lucrative

Simon Bowers

The Guardian, Wednesday 6 March 2013 07:35 AEST



Serco achieved record levels of new contracts around the world although just over half its business remains in the UK.
Photograph: Jim Wileman

Serco, one of Britain's biggest prison and healthcare outsourcing companies, has insisted its work for the financially stretched UK government has not grown any more lucrative in the last 12 months – despite a string of contract awards, a 25% increase in staff and a rise in its profit margin.

Major contract awards last year included an expansion to Serco's category B private prison, located alongside Belmarsh in south-east London, and a contract to run Suffolk Community Healthcare. The group also retained responsibility for jointly running Britain's nuclear warheads store at Aldermaston, Berkshire, and won six National Citizen Service contracts – part of David Cameron's "big society" initiative. Around the world, Serco achieved record levels of new contracts, with a total value of £5.6m, though just over half its business remains in the UK where its work is dominated by public sector contracts.

Chief executive Chris Hyman said the group's UK workforce grew by more than 10,000

to 53,000 in 2012. However, many of these new Serco employees will have been transferred from existing posts before the jobs were outsourced. A month after winning the Suffolk NHS contract last October Serco announced it planned to cut 17% of the workforce or 137 jobs.

Announcing pretax profits up 27% to £302m, Serco said its operating margin has grown from 6.2% to 6.4%. For Serco's operations in its UK and European division, margins rose from 6.8% to 6.9%. However Hyman insisted this was in spite of depressed margins from public sector contracts in the UK.

Serco came under fire two years ago after a controversial [letter from finance director Andrew Jenner](#) to its suppliers was leaked. It appeared to show Serco leaning on these smaller companies with demands for a rebate after it had reached an agreed with government ministers on the levels of profits it would take on public sector work.

On Tuesday, Hyman said: "The [UK] public sector margin has gone down. In the last few years that business has had a tough time, and we are supportive of our [largest] customer. Margins in the public sector are around 5% to 6% – it has always been so and actually we've seen those margins under considerable pressure and they will remain so for the next few years.

"We've talked about margins being flat this year – that's after some extremely good growth in the private sector [where margins have been] around 12% – about double the public sector margin. With the government's review [of major contractors in 2010] we contributed our fair share to that when the government said: 'We need people to play their part.'"

Among p

private sector contract awards for Serco in the UK last year were outsourcing deals with Easyjet and with Sir David and Sir Frederick Barclay's online and mail order business Shop Direct.

More from the Guardian [What's this?](#)

[Cristiano Ronaldo would have to make way for Gareth Bale at Real Madrid](#) 29 Jul 2013

[I am not a good mother, nor do I aspire to be](#) 30 Jul 2013

[I prefer women who don't shave their pubic hair](#) 29 Jul 2013

[ENRC founders step closer to de-listing following Kazakhmys vote](#) 02 Aug 2013

[How Bank of England 'helped Nazis sell gold stolen from Czechs'](#) 30 Jul 2013

More from around the [What's this?](#)

web

[15 Bankrupt Celebrities](#) (She Budgets)

[A Gmail Add-On That's Unbelievably Awesome](#) (W3 Update)

[The Ship Goes Down With the Captain](#) (The Build Network)

[Why give up equity when you can hire a top MBA by the hour?](#) (Business & Finance)

[Special sPMD Announcement from the Ampush](#)