



## **Resources and Governance Scrutiny Committee**

Date: Thursday, 24 August 2023

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension

**A private meeting for committee members only will be held at 9:30am on Thursday, 24 August 2023 in Room 2006, Level 2, Town Hall Extension.**

Everyone is welcome to attend this committee meeting.

### **Access to the Antechamber**

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension.

**There is no public access from any other entrance.**

### **Filming and broadcast of the meeting**

Meetings of the Resources and Governance Scrutiny Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

## **Membership of the Resources and Governance Scrutiny Committee**

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**Councillors** - Simcock (Chair), Andrews, Brickell, Connolly, Davies, Evans, Kilpatrick, Kirkpatrick, Lanchbury, Rowles and Wheeler

## Agenda

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**1. Urgent Business**

To consider any items which the Chair has agreed to have submitted as urgent.

**2. Appeals**

To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.

**3. Interests**

To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.

**4. Call In - Extension of Repairs and Maintenance contract for MCC Housing Services**

5 - 6

The decision of the Deputy Chief Executive and City Treasurer on 24 July 2023 has been called in by Councillors Leech, Good, Kilpatrick, Northwood and Nunney in accordance with paragraph 13.3 of the Scrutiny Procedure Rules.

The terms of the Call In are:

- (1) Concern about value for money, and whether this is the best option for tenants, the workforce and Manchester Council tax-payers, and whether the alternatives have been fully considered.
- (2) Concerns from Unite the Union that there continues to be a very high level of Agency and Sub- Contractor still being used on the contract at a substantially higher cost than the cost of employing direct.
- (3) Concerns raised by Unite the Union regarding health and safety, changes to the sickness absence policy, a failure to address accusations of bullying and harassment towards their members, and a lack of trust in the management team to provide and a fair and reasonable process for grievance and disciplinary procedures.

A copy of the Decision Notice is attached.

Members of the Committee are asked to consider all relevant matters, debate the issues and decide which of the resolutions set out below it wishes to adopt.

- i. Support the decision
- ii. Refer back to Decision Taker (with or without recommendations)
- iii. Refer to Council (only applicable if the decision is contrary to the policy framework or contrary to or not wholly in accordance with the budget)

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|--|---------|
| <b>4a. Call In Protocol</b>  | 7 - 10  |
| The Council's Call In Protocol is attached for information.                                |         |
| <b>4b. Managing the Call In Process</b>  | 11 - 12 |
| The Council's guide on Managing the Call In process is attached for information            |         |
| <b>4c. Call In Guidance for questioning witnesses</b>                                      | 13 - 14 |
| The Council's Call In guidance is attached for information.                                |         |
| <b>4d. Report - Extension of Repairs and Maintenance contract for MCC Housing Services</b> | 15 - 30 |
| Report of the Deputy Chief Executive and City Treasurer.                                   |         |

This report provides detail on the process for the decision to extend the MCC Housing Services - Equans contract for repairs and maintenance.

## Information about the Committee

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Scrutiny Committees represent the interests of local people about important issues that affect them. They look at how the decisions, policies and services of the Council and other key public agencies impact on the city and its residents. Scrutiny Committees do not take decisions but can make recommendations to decision-makers about how they are delivering the Manchester Strategy, an agreed vision for a better Manchester that is shared by public agencies across the city.

The Resources and Governance Scrutiny Committee areas of interest include finances, Council buildings, staffing, corporate and partnership governance as well as Council tax and benefits administration.

The Council wants to consult people as fully as possible before making decisions that affect them. Members of the public do not have a right to speak at meetings but may do so if invited by the Chair. To help facilitate this, the Council encourages anyone who wishes to speak at the meeting to contact the Committee Officer in advance of the meeting by telephone or email, who will then pass on your request to the Chair for consideration. Groups of people will usually be asked to nominate a spokesperson. The Council wants its meetings to be as open as possible but occasionally there will be some confidential business. Brief reasons for confidentiality will be shown on the agenda sheet.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website [www.manchester.gov.uk](http://www.manchester.gov.uk).

Smoking is not allowed in Council buildings.

Joanne Roney OBE  
Chief Executive  
Level 3, Town Hall Extension,  
Albert Square,  
Manchester, M60 2LA

## Further Information

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For help, advice and information about this meeting please contact the Committee Officer:

Charlotte Lynch  
Tel: 0161 219 2119  
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This agenda was issued on **Wednesday, 16 August 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester M60 2LA

# Decision taken

Made by an Executive Member or Chief Officer



**MANCHESTER  
CITY COUNCIL**

## Notice of Decision Made

Decision maker	Deputy Chief Executive and City Treasurer
Date of decision	24 July 2023
What is the decision?	To extend the current MCC & Equans Housing Services Contract for up to 3 years from Apr 24 to Apr 2027
Reasons for the decision (but excluding any exempt or confidential information)	The continued improvement of the repairs and maintenance service is a key priority for the council at a time of increasing demand.
Alternatives considered and rejected	<p>The Council is still bedding in the new Housing Service following the insourcing of Northwards Housing into the council.</p> <p>ICT migrations and other key pieces of work are still ongoing. Capacity within the service is being strengthened to provide an effective client management service and ensure there is the potential to properly consider all future sourcing options (insourcing, commissioned or shared services).</p> <p>The feasibility work has commenced, and the contract extension is designed to give maximum flexibility</p>
Interests Declared	None
Officer contact details For any further information	David Ashmore Director Housing Services david.ashmore@manchester.gov.uk

### Register of Key Decisions

Register of Key Decisions Reference	2023/06/20A
<b>OR – if not published in the Register of Key Decisions</b>	
Reasons for <b>special urgency</b> such that this was not published in a Register of Key Decisions	

### Scrutiny Call In

Call-in deadline	4:00pm on Monday 31 July 2023
<b>OR – if Exempt from Call-in</b>	
Advice as to how any delay would seriously prejudice the legal or financial position of the	

Council	
<b>Scrutiny Chair</b> who agreed the urgency	
Date this notice was published	24 July 2023



## CALL-IN PROTOCOL

### **1. Purpose of Call-In and the Protocol**

- 1.1. The purpose of the Call-In process is to identify issues, explore them fully and make informed recommendations based upon a proper consideration of all relevant issues.
- 1.2. It is vital that a Call-In is perceived to be not only searching and transparent but also equitable, fair and not oppressive. All stakeholders and parties to the process must feel that they have been fairly treated. If they do not then the process and any recommendations arising from it will be diminished.
- 1.3. A well conducted Call-In process should make everyone feel that they have contributed rather than just been questioned.

### **2. The Decision to Call-In**

- 2.1. The right to Call-In applies to a decision made by the Executive or a Key Decision taken by an Officer under delegated authority.

A matter in which the final decision falls to the full Council is not subject to the call-in provisions.

Call-in provides an opportunity for Scrutiny Members to understand the process underlying the making of a decision and consider whether all relevant issues were given due consideration.

**It is not a form of appeal against a decision which has been properly made or a forum for a case to be argued for a different decision.**

- 2.2. Records of Decisions are published, normally within 2 days of the decision being made and they may not to be implemented until the expiry of five working days after the publication of the Decision Notice.

During that five-day period the Chair of the relevant Scrutiny Committee, or five Members of the Council may request a Call-In.

There are urgency exceptions to the right to Call-In. The Chief Executive will endeavour to assist Members of the Committee in requests for information about decisions which could be the subject of a Call-In.

- 2.3. A decision may not be called-in if the Committee has already made recommendations to the Decision Taker and those recommendations have been accepted by the Decision Taker either in whole or without significant addition or modification.

### **3. What is required when a Call In is made?**

- 3.1. The written notification of a Call-In shall specify reason(s) for the Call-In and any specific matters it seeks to see addressed, to assist the Decision Taker and Committee Members in preparing for the Committee Meeting.
- 3.2. Once a decision to Call-In has been properly taken then the item will be placed on the agenda for the next meeting of the relevant Scrutiny Committee.
- 3.3. The relevant Chief Officer and/or Exec Member shall have the right to attend the meeting to explain the reason for the decision and to respond to comments made at the meeting.

### **4. Issues to be addressed before the Scrutiny Committee Meeting**

- 4.1. The Decision Taker will be invited to submit a written statement for consideration by the Committee. The written statement will specify the decision, the reasons for it and all matters/factors taken into account in making the decision.
- 4.2. The Decision Taker must be able to call in support whomsoever they feel appropriate. The Decision Taker shall notify the Chair as soon as reasonably possible of the witnesses they wish to be called in support of the decision and any such persons shall be called as witnesses, if the Chair considers it appropriate to do so.
- 4.3. In addition to that the Scrutiny Committee will have a view about who they wish to interview.

When a decision to Call-In is taken at Committee then the Committee can indicate simultaneously who they wish to interview.

Where the decision is taken outside the Committee it might not be realistic to have another Committee meeting to decide who to interview. In these circumstances the Chair shall consult with those Members who were party to the Call-In as to whether any additional witnesses are to be called and any nominations made by Members on that consultation may be called as witnesses, if the Chair considers it appropriate to do so.

- 4.4. Where any person called to be a witness is unable or unwilling to attend on the required date, then the Chair of the Scrutiny Committee shall either:
  - if the person is a Member of the Executive or an Officer, insist on the Member/Officer's attendance on the required date; or
  - if the Member or Officer is willing to attend on an alternative date, amend the original request to attend by deciding to arrange an alternative date for attendance; or
  - amend the original request to attend by deciding to accept a substitute Member, Officer or other person to attend on the original required date; or
  - revoke the original request to attend and decide that the Scrutiny Committee shall proceed with the review of the decision in the absence of the Member, Officer or other person or a substitute.



- 4.5. The Decision Taker's statement should be published with the agenda of the meeting at which interviews are to take place. It should be an open item unless there are valid press exclusion reasons. Where a decision has been treated as a press excluded item previously then advice will be given upon the relevant issues for the Committee to consider as to whether there are valid press exclusion reasons.
- 4.6. If the Chief Executive or the City Solicitor believes that dealing with a Call-In as an open item could cause any Officer to publicly disclose any matter which would be prejudicial to the Council, or prejudicial to a third party or in breach of a duty of confidentiality, then either of them may instruct the Officer to give such evidence only in the press and public excluded part of the meeting.

## 5. Process

- 5.1. All those to be interviewed should be present throughout but seated away from the Committee.

It is important that when someone is interviewed they have a full understanding of the Committee's concerns and what other interviewees have said. If someone is not present throughout then they will be disadvantaged in this regard. The process will not have been fair to them and their contribution will be diminished as will any decision of the Committee. There may be some interviewees whose involvement is peripheral and who may leave after interview if they wish and the Committee agrees.

- 5.2. If appropriate legal and financial advice should be given and considered.
- 5.3. The proposer of the Call-In may if he/she wishes make a presentation outlining his/her main concerns to help focus issues.

This should concentrate on any perceived deficiencies in the process by which the decision was made, and whether all relevant issues were taken into account and given due weight; **it should not be simply be an argument for an alternative decision to be made.**

- 5.4. Interviewees are to be called to the Committee table one at a time and allowed to make a presentation of up to 5 minutes without interruption. Thereafter Members of the Committee may ask questions.

The questions must be courteous and relevant. If an interviewee does not possess knowledge or information to answer a question then he or she must not be pressed.

- 5.5. At the conclusion of each interview the interviewee should be asked if there is anything he/she wishes to add/clarify and should be allowed so to do.
- 5.6. At the conclusion of all interviews all interviewees should be asked if they wish to add or clarify anything and should be allowed so to do.
- 5.7. The Committee will consider all relevant matters, debate the issues and decide which of the resolutions it wishes to adopt set out in paragraphs 13.7, 13.8 and 13.9 of the Scrutiny Procedure Rules, those being:-

- i. To support the original decision;
- ii. To refer back to Decision Taker (with or without recommendations); or
- iii. To refer to Council (this is only applicable if the decision is contrary to the policy framework or contrary to or not wholly in accordance with the budget).

5.8 If referred back to the Decision Taker they shall then reconsider and may amend the decision or not, before adopting a final decision which will come into effect immediately.

5.9 If the Scrutiny Committee does not refer the decision back to the Decision Taker, the decision shall take effect on the date of the scrutiny meeting.

## **6. Call in and Urgency**

6.1 The call-in procedure shall not apply where the decision being taken is considered urgent. A decision will be urgent if any delay likely to be caused by the call-in process would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester.

6.2 The record of the decision, and the notice by which it is made public shall state whether in the opinion of the decision making person or body (having considered the advice of the Head of the Paid Service and/or the Monitoring Officer and/or the Chief Finance Officer), the decision is an urgent one, and therefore not subject to call-in.

6.3 The Chair of a relevant scrutiny committee must agree both that the decision proposed is reasonable in all the circumstances and to it being treated as a matter of urgency.



## Process for managing the Call In

- 1. All those to be interviewed should be present throughout but seated away from the Committee.**

It is important that when someone is interviewed they have a full understanding of the Committee's concerns and what other interviewees have said. If someone is not present throughout then they will be disadvantaged in this regard. The process will not have been fair to them and their contribution will be diminished as will any decision of the Committee. There may be some interviewees whose involvement is peripheral and who may leave after interview if they wish and the Committee agrees.

- 2. If appropriate, legal and financial advice should be given and considered.**
- 3. The proposer of the Call-In may, if he/she wishes, make a presentation outlining his/her main concerns to help focus issues.**

This should concentrate on any perceived deficiencies in the process by which the decision was made, and whether all relevant issues were taken into account and given due weight; it should not be simply be an argument for an alternative decision to be made.

- 4. Interviewees are to be called to the Committee table one at a time and allowed to make a presentation of up to 5 minutes without interruption.**

Thereafter Members of the Committee may ask questions. The questions must be courteous and relevant. If an interviewee does not possess knowledge or information to answer a question then he or she must not be pressed.

- 5. At the conclusion of each interview the interviewee should be asked if there is anything he/she wishes to add/clarify and should be allowed so to do.**
- 6. At the conclusion of all interviews all interviewees should be asked if they wish to add or clarify anything and should be allowed so to do.**
- 7. The Committee will consider all relevant matters, debate the issues and decide which of the resolutions set out below it wishes to adopt.**
  - i. Support the decision
  - ii. Refer back to Decision Taker (with or without recommendations)
  - iii. Refer to Council (only applicable if the decision is contrary to the policy framework or contrary to or not wholly in accordance with the budget).

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**MANCHESTER  
CITY COUNCIL**

## **GUIDANCE FOR QUESTIONING OF WITNESSES ON CALL-INS**

The purpose of a Call-In is to ensure that there is an efficient and effective scrutiny of decisions. For this to be achieved not only must all relevant information be available for the Committee, but Members in questioning witnesses should make the best use of the opportunity by focusing on the relevant issues.

Unless all relevant information is disclosed in an appropriate Executive report, then witnesses should endeavour to prepare, for prior circulation to Members, a statement of the relevant information.

To assist witnesses Members should, in calling-in a matter, be as clear as possible as to the issues that they are concerned with.

Members involved in the Call-In are consulted on the appropriate witnesses and Members may wish to advise them in advance of particular issues they wish to raise or documents which they wish to refer to.

### **Officer/Member Protocol**

The Protocol on relations between Members and officers stresses that for the effective conduct of business there must be mutual respect in all meetings and contact between Members and officers. In particular

- Members and officers should apply the rules of common courtesy to each other
- Members should be aware that officers are constrained in the response they may give to public comments by Members
- Members should not abuse officers and should not seek to undermine an officer's position by abuse, rudeness or ridicule.

This in no way reduces the Members' proper right and duty to criticise reports, actions and work of any department or section of the Council with the belief that such criticism is merited.

### **Call-In Protocol**

The Call-In Protocol confirms

- Questions must be courteous and relevant
- If an interviewee does not possess knowledge or information to answer a question then he or she must not be pressed
- At the conclusion of each interview the interviewee should be asked if there is anything he or she wishes to add/clarify and should be allowed to do so

## General Advice on Questioning

The following points should be borne in mind by Members in order that the debate and questioning can be focused and effective

- The purpose of the interview is to ask questions of interviewees and not to make statements. Interviewees are under no obligation to respond to statements not properly phrased as questions
- Little is gained by Members asking questions which are clearly already answered in either a report or statement already given
- Members are encouraged not to repeat questions asked either by other Members or indeed by the same Member
- The questions must be relevant to the concerns raised and should be aimed at gaining information which will assist enabling the Committee to make the appropriate decision
- The simpler and more direct that the question is then the more likely it is that an interviewee will answer directly
- If all relevant information has been obtained from a witness following questioning by other Members then Members can feel free to refrain from asking further questions as there is no obligation to ask questions.
- Purely rhetorical questions should be avoided
- If information has been obtained from one witness, there may be little point in asking the same questions of another witness

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 24 August 2023

**Subject:** Call in of decision: MCC Housing Services – Equans Extension

**Report of:** Deputy Chief Executive and City Treasurer

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### Summary

This report provides detail on the process for the decision to extend the MCC Housing Services - Equans contract for repairs and maintenance.

### Recommendations

The Committee is recommended to consider and comment on the information in the report.

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**Wards Affected:** Ancoats & Beswick, Charlestown, Cheetham, Crumpsall, Gorton and Abbey Hey, Harpurhey, Higher Blackley, Moston, Ardwick, Clayton & Openshaw, Miles Platting & Newton Heath and Piccadilly

<p><b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>
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<p>The Housing Service is a key deliverer of the City's Net Zero 2038 ambitions through the housing retrofit programme (SHDF) and energy efficiency works.</p>
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<p><b>Equality, Diversity and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments</p>
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<p>Good quality housing is at the heart of the Making Manchester Fairer programme and tackling inequalities in the City.</p>
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<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	As the largest single landlord in the City, MCC Housing Services is a major source of contracts and supplies that ideally are sourced locally
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Access to appropriate affordable housing and services will support residents to achieve and contribute to the city's ambitions.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The council's housing service is resident led and includes tenants directly in the provision of the social landlord function
A liveable and low carbon city: a destination of choice to live, visit, work	The housing service is pioneering the retrofit existing social housing homes in order to achieve Manchester's zero housing ambitions
A connected city: world class infrastructure and connectivity to drive growth	The housing service is a major contributor to the North Manchester infrastructure and regeneration.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

The housing repairs and maintenance contract is a direct service to the Council housing tenants and is therefore funded through the ringfenced Housing Revenue Account. The approved revenue budget for 2023/24 is £16.784m

### **Financial Consequences – Capital**

In addition to the day-to-day repairs, Equans also undertake adaptations work that is charged to the Capital 2023/24 budget for adaptations work of £2.2m.

### **Contact Officers:**

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 Position: Deputy CEO & City Treasurer  
 E-mail: [carol.culley@manchester.gov.uk](mailto:carol.culley@manchester.gov.uk)

Name: Dave Ashmore  
 Position: Director of Housing Services  
 E-mail: [david.ashmore@manchester.gov.uk](mailto:david.ashmore@manchester.gov.uk)



**Background documents (available for public inspection):**

Resources and Governance Scrutiny Committee 22 June 2023 Part A – MCC  
Housing Services – EQUANS extension  
Resources and Governance Scrutiny Committee 22 June 2023 Part B – MCC  
Housing Services – EQUANS extension

## 1. Introduction

- 1.1. This report concerns the call in of the decision to approve the extension of the MCC Housing Services – Equans Repairs and Maintenance contract for up to three years.
- 1.2. The decision notice published on 24<sup>th</sup> July 2023 set out the intention to extend the current Equans Housing Services Contract for up to 3 years from April 2024 to Apr 2027, for the provision of the housing operations repairs and maintenance service.
- 1.3. The decision notice set out why the contract extension option is the preferred option at this time, and this included:
  - The Council is still bedding in the new Housing Service following the insourcing of Northwards Housing into the council and has not been in a position to start the preparation for another significant service change.
  - Lessons learned from the insourcing of Northwards Housing included that ICT migrations and other key pieces of work were under-estimated at the time the decision was taken, and a number of issues are still ongoing including proposals around harmonisation of terms and conditions of employment.
- 1.4. Capacity within the housing service is being strengthened to provide a more effective client management service and ensure there is the capacity to properly consider all future sourcing options (insourcing, commissioned or shared services). The feasibility work has commenced, and the contract extension is designed to give maximum flexibility, hence the potential breaks in the contract at 12, 24 and 36 months.
- 1.5. A feasibility study was carried out prior to the key decision recommendation. A more detailed delivery model assessment is currently in progress. This extension will allow for detailed implementation planning under different delivery model options, including the potential to bring the service back in house. In all scenarios this will need to ensure services to residents are not negatively impacted by any change to the delivery model.
- 1.6. The three reasons cited within the call-in notice are set out below
  - A. Concern about value for money, and whether this is the best option for tenants, the workforce and Manchester Council taxpayers, and whether the alternatives have been fully considered.
  - B. Concerns from Unite the Union that there continues to be a very high level of Agency and Sub- Contractor still being used on the contract at a substantially higher cost than the cost of employing direct.
  - C. Concerns raised by Unite the Union regarding health and safety, changes to the sickness absence policy, a failure to address accusations of bullying and harassment towards their members, and a lack of trust in the

management team to provide and a fair and reasonable process for grievance and disciplinary procedures.

## **2. Background**

- 2.1. The council's vision for the management of its social housing, is set out in A Place Called Home and centres on three strategic priorities. These are:
1. Resident-led services, putting you at the heart of everything we do.
  2. High-quality housing services and home improvements for secure, warm, sustainable homes
  3. Welcoming, safe, and vibrant neighbourhoods
- 2.2. At the centre of this vision is the provision of a good quality and responsive housing repairs and maintenance service. In the context of increased regulation through the recently introduced Social Housing Act 2023, the Building Safety Act, the consumer regulations, including Awaab's Law, it is essential that the council discharge its statutory duties efficiently, effectively and with residents' safety and wellbeing at its core.
- 2.3. This report sets out context to the recommendation to extend the current contract between MCC and Equans up to a maximum of three years, with the addition of break clauses in 2025 and 2026.

## **3. Background and Context to the Contract**

- 3.1. The Housing Repairs contract with Equans commenced in April 2021 for three years, with an option to extend for a further three years. Tenders were returned in November 2020 and, despite high initial levels of interest, only two bids were received which demonstrated a nervousness in the market which had been severely impacted by lockdown and loss of capacity largely attributable to Covid-19 related pressures.
- 3.2. Both bids represented significant (in excess of £3m) increases on the previous budget. A process of negotiation was undertaken following which the contract was awarded to Equans (then known as Engie).
- 3.3. Considerations about whether to opt to extend the contract for the second term of three years began in mid-2022, with discussions taking place with Equans relating to contract performance, the charging model for the contract and the basis for any extension. Changes to the Target Operating Model for oversight of the contract were also considered. This was in the context of the recent insourcing of the Northwards ALMO and continued turbulence in supply chains and labour markets with rising inflation and ongoing skills shortages. The Major Contracts Board had oversight of this work.
- 3.4. The Major Contracts Board was established following a request by RAGOS in July 2022 to have oversight of the Council's 'gold' contracts and first met in November 2022. The terms of reference of the board includes to "review the Council's approach to insourcing and the approach to making a decision" and

“Oversee feasibility studies for future contract option appraisals”. As part of this work the Sourcing Policy was drafted which is now subject to consultation ready for adoption in the Autumn. The approach set out in the draft Sourcing Policy is being applied to contracts including the Housing Repairs and Maintenance Contract, Security, Home Care and Property Investment Estate Management to test the prototype model.

- 3.5. The work of the Major Contracts Board and the draft Sourcing Policy have both been reported to RAGOS.
- 3.6. In line with the Council Motion, all major contract renewals will now include a Delivery Model Assessment and a feasibility study that considers insourcing as the first option. A feasibility study for the Housing Repairs Service was carried out which concluded that the best option was to extend the contract, with a view to ensuring there is capacity in place to bring the service back in house in the near future. Further information is provided later in the report.
- 3.7. Working groups were then established to undertake a full feasibility study and ensure the capacity is in place to directly run a housing repairs service or to effectively manage an external contract. This is designed to ensure maximum flexibility and to ensure a successful implementation that does not adversely impact on the delivery of services to tenants.
- 3.8. The factors that the working groups are considering include ICT, Finance, Operations (Logistics), HR, Customer Experience and Communication.
- 3.9. Detail on workstream progress is contained in the relevant section of the report.

#### **4. Management Arrangements for the Housing Repairs and Maintenance Contract**

- 4.1. A Strategic Partnership Board (SPB) was established at the outset of the contract in April 2021 with senior executive management level membership from Equans and MCC. MCC representation includes the Director of Housing Services and relevant staff from Housing Services including the newly recruited Assistant Director and lead for Assets and Repairs and the Head of Integrated Commissioning and Procurement. Representation from Equans includes their Commercial Director, Partnership Director and Accounts Director along with their Senior Commercial Manager and Social Value Manager.
- 4.2. The Strategic Partnership Board meets monthly and standing items on the agenda include Service Delivery, KPIs, Financial Position and Social Value.
- 4.3. The report on Service Delivery includes number of jobs logged by MCC and carried out by Equans and monitoring of “Work in Progress”, Disrepairs, Resources including number of operatives, supervisory staff and productivity, Complaints and Trends Analysis, Price per Void, Planned Preventative

Maintenance, Gas Servicing and Aids and Adaptations and on Social Value Delivery.

- 4.4. KPIs are presented with 6-month trends for 26 different indicators covering a range of elements of the service including: % tenant satisfaction, average completion time for repairs, turnaround of void properties, gas safety, aids and adaptations.
- 4.5. Following the issues raised at the June RAGOS meeting, it has now been agreed that Internal Audit will review the contract monitoring arrangements and KPIs to provide assurance or otherwise, that these are robust and accurately reflect contract performance. This review will be delivered in alignment with an external review of data and systems that has been commissioned to provide analysis and assurance over the flow of data, definitions and the robustness of reported performance, including content of the KPI report to the Strategic Partnership Board.

## **5. Housing Services Redesign & Resourcing Challenges**

- 5.1. Housing Services are still addressing historic workforce challenges and capacity gaps from the transfer from Northwards to the Council. The service transferred with a large number of vacancies which have been hard to recruit to, particularly in the asset, building safety and compliance sphere. The latest recruitment round has been successful in offering key roles and it is hoped that this will enable both stronger contract management now and the capacity and capability to consider other options in the future.
- 5.2. The service is developing a new operating model and has recently created and recruited to a new leadership team to spearhead the delivery of the Place Called Home vision. The new leadership team will be in place from Autumn 2023.
- 5.3. The redesign of the service will incorporate the increased focus on being fit for purpose in relation to the social housing act, building safety act and new consumer regulations, as well as the opportunities presented by joining the council. It will also include the harmonisation of contracts to move all colleagues onto MCC terms and conditions. In addition, the redesign is an essential steppingstone to any potential insourcing of the repairs and maintenance contract to build our capacity and expertise to do so successfully.
- 5.4. Housing Services staff are also currently on Northwards terms and conditions and the service is working with HR and the trade unions to develop a proposition that would harmonise to MCC terms and conditions.

## **6. ICT**

- 6.1. All Housing Service applications, including the current Housing Management application are also still in the process of being migrated into the MCC ICT architecture which is a complex task in itself. Until this migration has taken

place there is not the functionality to support the systems required for the delivery of an in-house service.

- 6.2. Although Northwards joined the Council in July 2021, it is still a separate technological entity in that it has a different ICT infrastructure to the rest of the Council in relation to its network, desktop hardware and in many cases software too.
- 6.3. The migration of the Housing Services ICT into MCC ICT is on course for completion by the end of December this year. The Housing Services Migration Programme is one of the most complex changes MCC ICT has undertaken in the last decade. The programme will decommission the relevant contents of two data centres, migrate 20TB of stored data, migrate 47 separate line of business applications, migrate the “my account” portal website, change 42 printers, image and swop out 324 laptops, provide 259 monitors and docking stations, provide 13 new tablets, 106 new mobile phones and will provide connectivity into and within 30 different buildings giving both wired and wireless connectivity. This migration must also be completed in a way that protects live Service to residents as much as possible. The complexity and resource intensive nature of this migration means that the programme carries significant risks to timescales, cost and impact on the Housing Service.
- 6.4. In addition, the current housing management application is out of contract in January 2025. As such, the Council has begun the task of exploring future options. This has a direct bearing on insourcing considerations, as the Council would need to sequence any major operational delivery change, with any potential change to the Housing Management application and delivery platform.

## **7. Challenging Market Conditions: Inflation and Labour Costs**

- 7.1. The contract is subject to an annual inflationary increase, and in 2022/23 the contract was uplifted by CPI +1% which was 9.7%. Similar indexation will see the contract costs increase to a budget of c£16.784m for 2023/24. Officers are currently in discussions with the contractor to finalise 2023/24 forecast costs.
- 7.2. The building sector is still experiencing significant challenges with construction costs 44% higher than pre-Covid levels. More specifically, repair and maintenance prices have surged, with annual price increases higher than the rate of inflation for materials, peaking at 16.8% in April 2022. These are all increased sector costs that would be met whether through an insourced or an outsourced model.
- 7.3. Similarly, the ongoing skills shortage is also increasing labour costs. Border closures, early retirement and workers switching to different industries following pandemic-instigated lifestyle changes are having an impact.

- 7.4. The Royal Institute of Chartered Surveyors' Building Cost Information Service suggest that year on year labour costs may increase by up to 8.4 percent in 2024.
- 7.5. Therefore, whilst the contract uplift may appear high, it does reflect the significant increase in costs that Equans face.

## **8. Changing Regulatory Environment**

- 8.1. The social housing sector is undergoing the most significant regulatory changes in a generation. Following the Grenfell Tragedy and more recently the death of Awaab Ishak, there has been a raft of new legislation, culminating in the Social Housing Act, which received Royal Assent on 20<sup>th</sup> July 2023. The Act itself describes its purpose as being to "reform the regulatory regime to drive significant change".
- 8.2. Organisations responsible for managing and operating social housing must be aware of its significance and understand not just what the detail requires, but also the way this fundamentally alters the landscape for social housing, the expectations on social landlords and the rights of tenants. The key aspects of the Social Housing Act focus on:
- strengthening the Regulator of Social Housing to carry out regular inspections of the largest social housing providers and the power to issue unlimited fines to rogue social landlords.
  - additional Housing Ombudsman powers to publish best practice guidance to landlords following investigations into tenant complaints.
  - powers to set strict time limits for social landlords to address hazards such as damp and mould (Awaab's Law)
  - new qualification requirements for social housing managers
  - introducing stronger economic powers to follow inappropriate money transactions outside of the sector.
- 8.3. In addition, the Building Safety Act 2022 came into force from 1st April 2023 and introduces new duties for the management of fire and building safety in high-rise residential buildings. The Act applies to new or existing occupied buildings over 18 metres high or seven storeys or more, which contain at least two residential units.
- 8.4. In this context of profound change for the social housing sector, accelerating the approach to self-delivery without the capability and capacity in place to deliver to the significantly enhanced requirements of the Social Housing Act would leave the Council and residents exposed to a much greater risk. These risks include service failure, especially around statutory compliance, potentially resulting in poor service delivery to residents, a breach of Health and Safety Regulations, damage to the Councils reputation and significant financial penalties if not managed correctly.

## **9. The Feasibility Study and Delivery Model Assessment**

- 9.1. The feasibility study work concluded that the best value for money option available at this time is to extend the contract but with annual break clauses to give maximum flexibility. This flexibility will allow the Council to change its approach to service delivery by providing Equans with nine months' notice within any future year.
- 9.2. The early considerations from the feasibility work were shared with the June Major Contracts Board. The Board were clear that the potential to insource the service should not be ruled out, although both options (insourcing and outsourcing) have pros and cons. It was noted that a high performing repairs and maintenance service is core to the Council's requirement and an insourced service can give the greatest leverage over the performance and future direction of the service. Market research too suggests that more authorities are choosing to insource.
- 9.3. However, the service cannot be simply lifted and shifted (including TUPE) over to the Council. As well as the 70+ trade operatives working on the contract there are the management and back-office functions, set processes and workflows for delivering different jobs, a subcontractor network, physical asset infrastructure (i.e. depot, vehicles etc), and critical ICT systems, all of which would need to be (i) established within an insourced model and (ii) managed closely to ensure a seamless transition. With the significant volume of work still underway to transition the new Housing Service it has not been feasible, or the capacity in place to support the insourcing of these functions.
- Issues considered included:
- ICT - The implementation of a suitable ICT system would need to take place once all of the systems have migrated into the Council (scheduled for December 2023) and may require the replacement of the existing housing management system. The lead in time for this work will be at least 18 months and will be a critical part of a successful insourcing operation.
  - Finance - The financial considerations include the workforce TUPE implications and the ability to procure materials. A full financial analysis is being completed to understand the costs of transition and the difference in costs between the two options.
  - Operations and logistics – including depot facilities, materials, health and safety and regulatory compliance.
  - HR – Workforce: The major consideration is that there would be a TUPE transfer of around 70 staff. TUPE transfers are complex from an employment perspective, and it can be a lengthy and challenging process to enable transferring employees to integrate effectively into the new organisation. Integration includes not only harmonisation of terms and conditions of employment, which is a major undertaking, but also for example, adopting new ways of working and adapting to a new culture including new organisational values and behaviours. Experience indicates that failure to sufficiently prepare for the onboarding of new employees via TUPE can result in widespread, time-consuming, and complex employment issues which can have a significant destabilising impact. Progress has been made towards service improvement and consolidation, through the recent appointment of two new senior officers. This has added new drive,



skills and expertise to the service and its drive to provide the best outcomes for residents and in due course is expected to ensure ongoing stability across the service. Externally, a new client-side Target Operating Model is also being developed which when introduced will strengthen the service further.

- 9.4. Since the findings of the delivery model assessment were presented to RAGOS in July 2023, additional work has been undertaken. This has included workshops with corporate services (principally HROD, Finance, ICT, Legal) to work through implementation planning and understand timescales.

## **10. Governance - Housing Advisory Board, Housing Services Improvement Board and Major Contracts Board**

- 10.1 It should be noted that there is a range of robust governance arrangements in place to oversee the contract performance which have all considered the performance of the Housing Service.

### **Housing Advisory Board**

- 10.2 The council created the Housing Advisory Board in July 2022, which consists of five resident, five elected members and three independent housing experts and is chaired by Cllr Gavin White, Executive Member for Housing and Development.
- 10.3 As an advisory board it has no decision-making powers of its own but may make recommendations to the Council or the Council's Executive on matters relating to the discharge of their housing functions, insofar as those functions relate to the Council's housing stock.
- 10.4 The board meets bi-monthly in North Manchester and is responsible for overseeing the delivery of the housing services to the Council's housing stock; primarily in, but not limited to, North Manchester. This includes the monitoring of the performance of all housing functions and the engagement of residents in the effective delivery of services.
- 10.5 The Council's intention to extend the contract as per the key decision was presented and supported on 20 July 2023, most notably the addition of break clauses to provide the council maximum flexibility.

### **Housing Services Improvement Board**

- 10.6 The Board is chaired by the Strategic Director for Neighbourhoods and brings together senior leadership from Strategic Housing, Finance, HR, ICT, Housing Services and Capital Delivery. The remit of the board is for a cross council approach to support the improvement programme for Housing Services.

### **Major Contracts Board**

- 10.7 The Board is chaired by the Deputy Chief Executive and City Treasurer and is attended by the Executive Member for Finance and relevant portfolio holders depending on the agenda items. The Board has oversight of the Council's 'gold' contracts or contracts and first met in November 2022. The terms of reference includes to "review the Council's approach to insourcing and the approach to making a decision" and to "Oversee feasibility studies for future contract option appraisals". The MCC Housing Services – Equans contract options have been discussed at the board on three occasions prior to the report being presented at the Housing Advisory Board and RAGOS during July 2023.

## 11. Call In Response

(A) Concern about value for money, and whether this is the best option for tenants, the workforce and Manchester Council taxpayers, and whether the alternatives have been fully considered

### ***Value for Money Considerations***

- 11.1 The repairs and maintenance contract was awarded in 2021. The ITT attracted two bids both of which were higher than budgeted for and the contract was awarded following a negotiation process which led to the current charging model being adopted. The contract award took into account value for money considerations.
- 11.2 The fundamental deliverables of the contract are:
- Responsive Repairs
  - Planned and Preventative Maintenance (PPM)
  - Building Safety Compliance
  - Adaptations
  - Void Property Work
  - Social Value
- 11.3 When the contract was awarded, the budget was £11.8m, which included £800k for capital aids and adaptations works with the rest being for repairs, voids and servicing costs.

Since the contract award:

- Demand has significantly increased, a trend mirrored across the sector.
- There have been significant changes in market conditions as highlighted in section 7.1.
- There has been additional work arising from new regulatory requirements such as the Building Safety Act and the Social Housing Act.
- Inflation has been at a much higher rate than originally forecast and total inflationary uplifts of over £3.1m have been applied to the contract in year 2 and 3 alone. This is made up of £1.353m year 2 and £1.8m proposed for year 3 of the contract.

- 11.4 As part of the contract the following years budget is set based on prior years outturn, uplifted by the agreed inflationary percentage, and then adjustments made to reflect changes in volumes or new activity. Due to the above factors, notably the high levels of inflation and the resultant increased levels of activity, the contract cost has increased significantly year on year. The contract value is now c£18m.
- 11.5 Repairs - In terms of responsive repairs, the council contacts all residents that have had a repair as part of the quality assurance framework and receives, on average, a 20% response rate. In terms of numbers, in June 2023 this equated to 756 responses with an overall satisfaction rate of 82.4%. This is an improvement from 64.6% in October 2022. The most cited reason for dissatisfaction was incomplete work, which 26 residents responded to as the main reason for dissatisfaction.
- 11.6 A key measure of success is the number of *Works in Progress (WIP)* which ostensibly sets out the items of work that remain outstanding. At the start of the contract in April 2021, during the Covid pandemic, there was a significant backlog and due to ongoing concerns over the health implications of close contacts, successfully accessing properties to undertake repairs was a considerable challenge. However, the number of works in progress has declined from 6,017 in April 2021 to nearer 3,000 in April 2023 although the latest data shows an increase again which is being investigated.

#### ***Pre-Planned Maintenance and Compliance***

- 11.7 A comprehensive timebound action plan was put in place and the contract is now performing very well in relation to all compliance matters, with the majority consistently meeting our demanding targets. Gas servicing is currently at 99.7% with the primary cause for failing to secure 100% being delays in the legal process and obtaining injunctions which is outside the Council's direct control. This is the part of the contract that is the most reliant on delivery through the Equans supply chain (sub-contractors).

#### ***Adaptations***

- 11.8 Equans currently deliver some, but not all, of the domestic property adaptations required by MCC, both minor and major adaptations are delivered through this part of the contract. Equans have been requested to significantly increase capacity to deliver more work in this area due to increasing demand from our residents needing help with adaptations to make it safer and easier to move around in their home.

#### ***Voids***

- 11.9 Since the Covid lock down, the turnover of vacant properties has remained consistently low at circa 4% of all stock. Resident demand is strong with MCC homes being considered as desirable by a range of diverse customers. To meet this demand and to ensure that newly occupied homes are fit for purpose and meet emerging resident aspirations, a dedicated void inspection

team complete a pre-inspection of all void properties. The number of voids as at July 2023 is 97, compared to 240 at the peak in April 2022.

- 11.10 The Strategic Lead for Assets is responsible for the day-to-day operational assurance of the repairs and maintenance contract and has created a number of new service assurance practices such as works quality surveys, the pre and post inspection of void properties, and the introduction of third-party specialist 'Fitness for Habitation' assurance inspections.
- 11.11 Whilst there is more to be done to improve the quality of the service delivered, significant progress has been made.

### **Social Value**

- 11.12 A key component of the contract with Equans is the contractual requirement to deliver social value. This includes 1000 hours of volunteering per year, creating work placements for local residents, of which there have been 14, against a target of 8 per year as well as 15 apprenticeships per year. Equans have met these social value aspects in full, albeit the council is working with Equans to improve the commitment to tree planting as part of the contract.

### **Consideration of Alternative Options**

- 11.13 Section 9 of the report (above) sets out the detailed work that was carried out to consider alternative options to extending the contract.

(B) Concerns from Unite the Union that there continues to be a very high level of Agency and Sub- Contractor still being used on the contract at a substantially higher cost than the cost of employing direct.

- 11.14 In a contract of this nature, it is usual to use sub-contractors. They are typically used in the following circumstances:
- Specialist work
  - Unanticipated or seasonal peak demand
  - Backfill workforce absence, especially where it has been difficult to recruit skilled trades.
  - Increase job output due to demand and or productivity challenges.
  - To respond quickly to changes in service demand for example, with the damp and mould requests in 2022.
- 11.15 The contract clearly sets out the agreed parameters for engaging agency and sub-contractors. There is a list of approved key subcontractors in the contract against the activities, with any additional or substitute subcontractors or the varying of a key subcontract requiring the Council's approval. The use of subcontractors is essential in the Council's ability to respond to movement in service demand in a timely manner. The new Housing Services team are looking into the use of sub- contractors by Equans and working with them to reduce their use where appropriate. Activities include:

- Ensuring any use is in line with contract terms.
- Better demand forecasting and resource modelling
- Working to improve productivity.

(C) Concerns raised by Unite the Union regarding health and safety, changes to the sickness absence policy, a failure to address accusations of bullying and harassment towards their members, and a lack of trust in the management team to provide and a fair and reasonable process for grievance and disciplinary procedures

- 11.16 The Council takes the health and safety and general well-being of the Equans workforce seriously. It is important to be clear however that as the employer of the workforce it is Equans that is contractually and legally responsible for all of its employees. As such the Council requires assurance from Equans with regard to their employment policies and practices and there are a number of specific obligations on Equans in the contract relating to employees and staff. For example, Equans must have and must ensure that subcontractors have personnel policies and procedures related to grievances, equal opportunities, discipline, anti-bullying and harassment and health and safety. There is an obligation on Equans to ensure the terms and implementation of those policies comply with the law and good industry practice and that copies of all such policies are to be made available to all of their staff.
- 11.17 Equans are obliged under the contract to provide all information reasonably requested by the Council relating to staff.
- 11.18 There are additional contractual obligations on Equans prohibiting unlawful discrimination, relating to not infringing staff's human rights and to comply with Council instructions and requirements in connection with statutory equality duties. That said, staff working for Equans or their subcontractors are not employees of the Council and therefore not subject to Council terms and conditions of employment including policies.
- 11.19 The contract further contains the following express obligations on Equans:
- to work in co-operation to facilitate the efficient delivery of the services and take all reasonable action and render every reasonable assistance including disclosure of all relevant documentation, using open book accounting.
  - to provide and share information and data to evidence value for money.
  - to maintain full records of costs and when requested to provide a written summary.
  - to provide a written report of records and books of account and to provide transparency of subcontractor costs.
  - to keep books and records on open book accounting basis including making available subcontractor's invoices.
  - to make arrangements to secure continuous improvement.

11.20 A project board comprising representatives of the Council and Equans is provided for by the contract for the purposes of governance and to discuss any matters related to the provision of the services.

## **12. Legal Comments**

12.1 This is an existing contract which allows for a three-year extension however a contract variation would be required to cover issues such as additional break clauses in 2025 and 2026. Legal implications and issues otherwise are referred to in other sections of the report.

## **13. Recommendations**

13.1 The Committee is recommended to consider and comment on the information in the report.