

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 7 March 2023

**Subject:** Progress Update on the Major Contracts Oversight Board

**Report of:** Head of Integrated Commissioning and Procurement

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**Summary**

This report provides an overview of the work of the Major Contracts Review Board and the development of the Delivery Model Assessment Policy which will set out the issues to be considered in deciding on the approach to future major contracts.

**Recommendations**

The Resources and Governance Scrutiny Committee is requested to note the work of the major Contracts Review Board and to provide comments on the content of the Delivery Model Assessment Policy prior to wider consultation and finalisation of the policy.

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**Wards Affected:** All

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
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N/A
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<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report outlines how the council will be given assurance that a wide range of services that are provided directly to citizens and indirectly to support the operation of the council will be delivered to appropriate levels of quality, cost and delivery.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The major contracts that provide services directly to citizens or that support various directorates to deliver services are included in the operation of the Major Contracts Review Board which is the subject of this report.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	As such, the report refers to how assurance over the delivery of these services, including the delivery of Social Value, is provided.
A liveable and low carbon city: a destination of choice to live, visit, work	This will include assurance that any relevant outcome of the Our Manchester Strategy is delivered.
A connected city: world class infrastructure and connectivity to drive growth	

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**Background documents (available for public inspection):** None

## 1. Introduction

- 1.1. The Major Contracts Review Board was established following discussion at the meeting of Resources and Governance Overview and Scrutiny Committee held in July 2022 which recommended the creation of a Major Contracts Oversight Board to include evaluate all major contracts. It was agreed that the Executive Member for Finance should attend with the potential to co-opt other Executive Members to attend where a contract falls within their portfolio.
- 1.2. This report provides an update on the work of the Board.

## 2. Purpose of the Board

- 2.1. The main aims of the board are to:
  - 2.1.1. **Review the Council's approach to delivery models and the approach to making a decision.** *Described in more detail below, this will define the matters to taken into account in deciding the approach to delivery models for services including being delivered 'in-house', through an arms-length body, through an external provider, or through a joint venture.*
  - 2.1.2. **Review the pipeline for major contracts and forward plan for extensions and re procurements.** *The board has been provided with an overview of the "Gold Contracts" and their management arrangements, expiry dates, potential for extension etc. This provides the opportunity to review performance and delivery and consider options for future delivery as contracts approach expiry.*
  - 2.1.3. **Oversee feasibility studies for future contract option appraisals.** *This will provide assurance that the approach developed for major contract decisions is applied as appropriate to future contracts.*
  - 2.1.4. **Ensure the Council's major contracts are performance managed and be updated on any performance and cost issues.** *Having an oversight of the pipeline and contract management arrangements for all major contracts, the board will have assurance that monitoring arrangements are sufficiently robust and be in a position to carry out analysis of performance as required.*
  - 2.1.5. **Evaluate major contracts for the supply of goods, services or works.** *The operation of the board is not fully mature and the parameters of this evaluation work are to be further developed. Parameters could include, for example, scope for savings, investment, VFM, effectiveness, social value, environmental issues etc.*
- 2.2. The full Terms of Reference are attached at Appendix One.
- 2.3. Discussions so far have taken place on delivery model options, performance monitoring for major contracts, the pipeline of major contracts and a paper is to be presented to the March meeting of the Board on the effects of inflation.

## 3. Definition of Major Contracts

- 3.1. The major contracts have been defined through use of criticality tool developed that identifies a contract status of Gold, Silver or Bronze according to a range of parameters including value, how quickly an alternative contract could be sourced if required, impact of contract failure, potential reputational risk to the council from contract failure, and potential information or safeguarding considerations.
- 3.2. The scope currently excludes capital contracts and contracts with other public service organisations, such as those with Manchester Foundation Trust. Some of the main contracts under this list include:
- Waste and Recycling Collection Services Contract (Biffa Municipal Ltd)
  - The collection, disposal and recycling of street cleansing and bulky waste (Redgate Holdings Ltd)
  - Leisure Services Contracts (Greenwich Leisure Limited (GLL); Sports and Leisure Management (SLM)
  - Small Format Advertising (JCDecaux UK Ltd)
  - Large format advertising (Ocean)
  - Housing Repairs and Maintenance Contract (Bouygues – formerly Equans)
  - Provision of Building Services (Mitie Security Ltd)
  - Energy Contracts (various – NPower, SSE, Drax Energy Solutions, Corona Energy)
  - Highways Gritting (Balfour Beatty Living Places)
  - Highways Surfacing of carriageways – two frameworks (Colas Limited; Kiely Bros Ltd; JPCS; Road Maintenance Services Limited) and (Tarmac, Bethell Group, J Hopkins)
  - Key ICT contracts (including with Civica Uk, Capita, Liquid Logic, EE, 8x8, UK Fast – now owned by ANS Group, The Networking People, Telefonica and XMA)
  - Property Management and the Council's Investment Estate (Jacobs)
- 3.3. Further work is required to define the role of the board in relation to social care contracts.

#### **4. Major Contracts Review Board**

- 4.1. The first meeting of the board took place in November 2022 and work to date has been focussed on:
- The development of the Council's approach to major contract decisions. This is particularly relevant following the recent council motion and is covered later in the report.
  - Establish the major contracts list and pipeline for contract break and end dates. This will be a standing item at the board.
  - Seek assurance over the governance arrangements for major contracts. A report is due back on this at the next meeting.

- Work is underway to collate the contract terms for annual uplifts and inflation and to understand the impact of inflation for the contracts in 2023/24.
- Deep dives into specific contract arrangements including the Housing Operations Repairs and Maintenance Contract and the Provision of Property Management and Professional Services (Management of the council's investment estate).

## 5. Delivery Model Assessment

- 5.1. Work has been carried out to enable a clear policy framework to be provided to guide decision making on the appropriate delivery model options for major contracts. This work is of heightened profile following the adoption of the Council "insourcing first" motion that advocates guidance to policy teams that they begin with insourcing as the default option for services and the work reflects this priority.
- 5.2. A discussion paper that will be developed to form the council's policy is appended. This has been developed based on good practice from other local authorities, recently updated CIPFA guidance and guidance published by the Cabinet Office as well as the duty on the council to achieve "best value" and sets out how the council will consider the most appropriate delivery model for services whether they are existing services that need to be recommissioned, or brand-new commissions. Further work will be required to develop and finalise the policy and provide guidance for the assessments. However, the approach is being adopted now for all major contract decisions.
- 5.3. The paper is at a relatively early stage of development and was considered by the Board at the meeting of 23 February. It will now be subject to consultation with key stakeholders including Trade Union Colleagues.
- 5.4. The discussion paper advocates a 4-step approach as follows:
  - **Define the service and identify delivery model options.** This step clarifies the key components of the service, the capabilities and assets required to deliver the service (e.g. ICT systems that are needed, any regulatory roles, the workforce implications etc), and the potential delivery model options.
  - **Establish evaluation criteria for appraising delivery model options.** In addition to cost (see step 3) five standard criteria cover strategic fit, service delivery, risk, implementation considerations, and markets/suppliers. The project may consider further criteria if relevant.
  - **Whole-life cost estimation of model options.**
  - **Assessment of models against the evaluation criteria and cost.**
- 5.5. The assessment should involve objective consideration of the potential delivery model and be proportionate to the size and nature of the contract. This will by default include the feasibility of bringing the service back in house where applicable. The model will apply to larger, more critical contracts – categorised as 'gold contracts' and the policy will require officers to

demonstrate that an objective assessment has been undertaken following the approach that will be set out in the policy.

- 5.6. There is a recognition that relevant expertise – internal and, if required, external – should be sought where necessary. Internally this would include service expertise as well as Legal, HR, Finance and ICT.
- 5.7. Delivery model assessments should be conducted allowing sufficient time to undertake a robust assessment and recognise that the implementation of a change in delivery model will take considerable time to develop. One of the purposes of the Major Contracts Board is to review the pipeline to ensure this process starts early enough for the full range of delivery options to be considered.
- 5.8. The model approach will be subject to further development and refinement in the light of the consultation and of experience.

## **6. Recommendation**

- 6.1. The Resources and Governance Scrutiny Committee are requested to note the work of the major Contracts Review Board and to provide comments on the content of the Draft Delivery Model Assessment Discussion Paper (Appendix 2) prior to the policy being subject to wider consultation.

## **7. Appendices**

Appendix 1 - Major Contracts Board Terms of Reference

Appendix 2 - Draft Delivery Model Options Discussion Paper