

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee - 22 June 2023

Subject: Major Contracts

Report of: Head of Integrated Commissioning and Procurement
Strategic Lead - Commissioning

Summary

This report provides an update on the Council's key contracts, the Council's approach to procurement of these contracts and assessments of how to source contracts due for renewal and / or extension.

The paper is structured as follows:

1. Introduction to major contracts, how they are classified as major contracts and a summary of oversight arrangements.
2. A short background to the Major Contracts Board, (further detail for which is in the paper to March 2023 the Resources and Governance Scrutiny Committee)
3. An overview of the procurement pipeline and recommissioning status of the major contracts.
4. Next steps for the work on major contracts and the contract management programme of work more generally.

Recommendations

The Committee is recommended to:

- (1) Note the content of the report and comment / question the information presented to the Committee as appropriate.
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Wards Affected: All

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| Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city |
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| No direct impact. However environmental impact is considered in the procurements of new contracts and in the subsequent contract management. |
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| Equality, Diversity, and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments |
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| No direct impact. Equality, Diversity and Inclusion though is part of the Council's social value priorities. |
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| Manchester Strategy outcomes | Summary of how this report aligns to the OMS/Contribution to the Strategy |
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| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | Major contracts, by their nature, have a significant role in supporting the Manchester Strategy outcomes both in terms of their direct impact (i.e. where contracts are resident facing, and most are) and in terms of their indirect impact, through (for example) the creation of additional social value for Manchester. |
| A highly skilled city: world class and home-grown talent sustaining the city's economic success | |
| A progressive and equitable city: making a positive contribution by unlocking the potential of our communities | |
| A liveable and low carbon city: a destination of choice to live, visit, work | |
| A connected city: world class infrastructure and connectivity to drive growth | |

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no direct consequences arising specifically from this report.

Financial Consequences – Capital

There are no direct consequences arising specifically from this report.

Contact Officers:

Name: Peter Schofield
Position: Head of Integrated Commissioning and Procurement
Telephone: 0161 234 1662
E-mail: peter.schofield@manchester.gov.uk

Name: Mark Leaver
Position: Strategic Lead Commissioning
Telephone: 0161 234 5235
E-mail: mark.leaver@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose key facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Progress Update on the Major Contracts Oversight Board report to the Resources and Governance Scrutiny Committee, 7 March 2023

1. Introduction

- 1.1. This report provides an update on the management of the council's key contracts including the operation of the major Contracts Review Board that was established in Autumn 2022. The report sets out the Council's key contracts, its approach to procurement of these contracts and the assessments of how to source contracts due for renewal and/or extension.
- 1.2. The council recognised that contract management is an essential tool to make sure that services to residents are delivered to the highest possible standards and that social value and climate change aspects of the council's spend are given due attention.
- 1.3. Improvements to contract management have led to introduction of a standardised Contracts Register, establishment of a Contracts and Commissioners Group that meets monthly and the implementation of a model approach under which the council uses a gold / silver / bronze framework for categorising contracts with gold representing the most critical contracts to the council. This in turn is used to guide the depth of contract management input required (both operational and strategic) on the contract.
- 1.4. How critical contracts are is gauged by a few criteria, monetary value being one, (and gold contracts will tend to be the largest in value) but there are also other important considerations: how quickly and easily an alternative contract can be secured in the event of contract failure, how much in total is the contract value including any extensions, what is the potential impact of contract failure, how complex is the delivery or expected delivery of the goods/services and what level of Information Security/Safeguarding Risk does the contract have.
- 1.5. It is important to highlight that assignment of a gold/silver/bronze category is meant as a tool for informing the level of contract management oversight, not a hard and fast set of rules. Some contracts, for example, will be considered to be on the boundary of silver and gold categorisation and ultimately what matters is not whether it is silver or gold, but rather that the management have confidence that they have an appropriate level of contract management oversight in place for that particular contract. Also categorisations can change over time.
- 1.6. In terms of contract management oversight, as standard across all contracts, officers must complete a contract award form for their relevant Strategic Director when seeking approval to enter into a new contract over £25,000 (as per the Council's Constitution) and that form sets out the named contract management officer(s); the named senior responsible owner; a summary of contract management arrangements that will be in place (such as frequency of monitoring meetings) and the relevant Key Performance Indicators (KPIs) and social value commitments.
- 1.7. Additional process changes have also been introduced. These include: the introduction of a new due diligence process which comprises checks on the supplier(s) continued economic and financial standing over the lifetime of the

contract; monitoring of the contract pipeline so the new delivery model assessment can be included as part of the recommissioning work; and a new contract management methodology is also being taken forward by MLCO in relation to social care contracts which sets out a more robust and consistent approach for managing key social care contracts.

- 1.8. Training and development of contract managers is also an ongoing objective, particularly for managers of gold and silver contracts. As part of this, the council has previously had two cohorts of staff undertake the CIPFA Certificate in Contract Management, and now as a new cohort of staff enrolled on the Government's new Practitioner programme, a course involving online workshops delivered over 12-18 months. Supplementing this, Integrated Commissioning continue to promote and track completion of the government's e-learning course on contract management, which covers the basics over a series of e-learning modules. Integrated Commissioning and Procurement also continue to engage externally with other authorities, government, and organisations to learn and apply good practice.

2. Major Contracts Review Board

- 2.1. Over the last year the council has introduced additional measures and oversight specifically in relation to gold contracts, most notably with the establishment of the Major Contracts Review Board and a report was brought to the March Resources and Governance Scrutiny Committee with an update on progress.
- 2.2. The Terms of Reference of the Board set out that the purpose of the Board is to:
 - Review the Council's approach to insourcing and the approach to making a decision
 - Review the pipeline for major contracts and forward plan for extensions and re procurements
 - Oversee feasibility studies for future contract option appraisals
 - Ensure the Council's major contracts are performance managed and be updated on any performance and cost issues
 - Evaluate major contracts for the supply of goods, services or works to include scope for savings, investment, Value for Money, effectiveness, social value, environmental issues etc.
- 2.3. As one of the first actions for the Board, Integrated Commissioning surveyed contract managers of gold contracts to understand further the practical contract management actions being taken in relation to their contract(s), including frequency of contract management meetings, who is involved, what elements of the contract are overseen in those arrangements and a summary assessment of current performance. This has acted as a high level baseline and confirmed the management arrangements in place across the major contracts, but also that some contracts, particularly older contracts, were less developed in areas like social value and carbon monitoring. In those examples, contract managers signalled how this will be addressed this in the recommissioning of the service.

These assurance arrangements will be monitored by the Major Contracts Board who will review the 'Assurance Matrix' on a quarterly basis.

- 2.4. Further detail on specific contracts will then be discussed as those contracts come to the Major Contracts Review Board. There will also continue to be space for further surveys or similar, to cover further elements. For example, at the start of the financial year, Integrated Commissioning asked contract managers to set out any new inflation issues or risks associated with their contract, the initial outputs of which were presented to the April Major Contracts Board and further work is currently underway given the persistence of high inflation.
- 2.5. This work too is part of the preparation for when the new Procurement Act (currently a Bill in Parliament) comes into force, which is now expected to be around October 2024, later than originally planned. For example, the Bill, as currently drafted, sets out new transparency requirements, including (for larger value contracts) detail on the Key Performance Indicators and targets under the contract and how the supplier is performing against those.
- 2.6. With regards to delivery model assessments, a Delivery Model Assessment Tool has been developed based on best practice methods of applying an evidence-based analysis to delivery of a contract. The Scrutiny Committee provided comments on the draft which have been noted and will be included in the finalisation of the policy following the early testing (see below) and wider consultation.
- 2.7. The delivery model approach is being tested so far in relation to the contracts for the Management of the Council's Investment Estate, the Housing Stock Repairs and Maintenance Contract, and (recently) the Security Contract, but planning discussions are starting with services across a wider range of contracts, which will incorporate delivery model assessments as an essential component of the recommissioning work (see section 3 below). Lessons learned will be incorporated into the model prior to the wider consultation and finalisation of the policy in the Summer.
- 2.8. As highlighted to the Scrutiny committee previously, forward planning is critical given the timescales needed both to carry out assessments (particularly for more complex contracts, where financial appraisals and soft market testing can take time) and for implementation of the preferred delivery model option.
- 2.9. A draft forward plan has been developed for the work of the Board that based on information from the council's contracts register including expiry dates for contracts or potential extensions to enable adequate time for each contract to be considered in detail.

3. The Council's Major Contracts and Procurement Planning

- 3.1. The table below sets out an updated list of major contracts except for capital programmes contracts, for which there are separate oversight arrangements.

- 3.2. The table includes a summary of the recommissioning status. With regards to procurement planning, Integrated Commissioning and Procurement meet regularly with directorates and commissioning leads to plan upcoming procurements (e.g. the monthly Highways Procurement Board; MLCO's Commissioning Plan Delivery Group). The pipeline set out in the table was also presented to the April Major Contracts Review Board, which in turn will guide the agendas for future meetings of the Board (i.e. which contracts should report to the Board and when).
- 3.3. Following on from the establishment of the Major Contracts Review Board and the development of the Delivery Model Assessment Policy, the Policy will be consulted on further and then finalised. Integrated Commissioning and Procurement will work with services to embed delivery model assessments as part of recommissioning projects, with only a small number of exclusions as per the policy (principally construction works, ICT contracts (e.g. software licences), and health contracts where the council does not have required expertise / infrastructure to deliver the service other than through a contract). Delivery model assessments are not restricted to gold contracts alone, and there are other smaller contracts where smaller assessments are currently in train.
- 3.4. The delivery model assessment work will need to mature. The experience to date is that the process is providing more structure to consider delivery model options. It emphasises though the need for planning well in advance, not just to undertake the assessment, but also to incorporate time required for implementation of a new model.

| Contract(s) and Provider(s) | New envisaged start | Recommissioning Status |
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| Public health contracts: Integrated Sexual and Reproductive Health Service (Manchester Foundation Trust ('MFT'), Health Visiting (MFT), School Health (MFT), Integrated Alcohol and Drug Early Intervention and Treatment System (CGL) | To be confirmed - see recommissioning status | These contracts are expected to come within scope of the government's forthcoming Provider Selection Regime regulations, which will give greater flexibility for how health services can be procured, which is of particular relevance in the context of local health and social integration. The regulations however have been delayed by over a year, having due to come out early 2022/23, causing significant planning challenges for authorities. |
| Mental Health Social Work (Greater Manchester Mental Health Trust) | Summer 2023 | This contract is a part of a cross-Greater Manchester NHS and local authority contract with Greater Manchester Mental Health Trust. An extension to the current framework is expected to be agreed this summer. |

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| The collection, disposal and recycling of street cleansing and bulky waste (Redgate Holdings Ltd) | July 2023 | This contract has recently been subject to a procurement exercise and an award decision expected shortly (along with the accompanying key decision notification). In-house delivery was not considered viable for this particular contract, given the specialist disposal and recycling nature of the service. |
| Gas (Corona) | Spring 2024 | The Energy Management Team are considering options for reprocurement of gas. |
| Housing Repairs and Maintenance Contract (Bouygues – formerly Equans) | Spring 2024 | A Delivery Model Assessment is underway including process mapping of service, the resources required to deliver these processes (critical elements to inform delivery and implementation of options) and a market assessment. The Director of Housing is also currently working with finance to deliver financial appraisals for delivery model options. Negotiations are underway over an extension to the existing contract for a maximum of 3 years with break points at 12 and 24 months depending upon the outcome of the above assessment. |
| Building Services (Bouygues – formerly Equans) | Spring 2024 | This contract's timelines are aligned with the timelines for the Housing Repairs and Maintenance contract. |
| Electricity (nPower, SSE) | October 2023 | The Energy Management Team are currently preparing for the procurement of a new electricity framework. The council does not have in-house power generation (hence the need for a procurement) but the council is additionally looking to procure a new Power Purchase Agreement, which is a long-term contract to buy electricity from a renewable source. |
| Highways Maintenance Framework (new) | To be confirmed | This is a new proposed framework incorporating different maintenance elements which |

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| | | have been procured via separate contracts previously. |
| Our Manchester Homecare (various providers) | Summer 2024 | MLCO established in June 2023 a Homecare Redesign Board, which will oversee the recommissioning of home care services. A delivery model assessment will be undertaken as part of the work. |
| Learning Disability and Mental Health Supported Accommodation (various providers) | Spring 2024 | MLCO has established a work programme to design and commission new supported accommodation services. Like home care, a delivery model assessment will be undertaken as part of the work and the Senior Responsible Officer for the programme also closely involved with MLCO's work on its in-house services. A mixed model of provision (i.e. in-house and external) is still being worked towards; but the focus of what is delivered internally and externally and how the system works overall are key considerations for the delivery model assessment. |
| Property Management and the Council's Investment Estate (Jacobs) | Spring 2024 | The service is currently reviewing options for this contract and delivery model options. This has included a soft market testing exercise and market questionnaire. |
| Children's Early Years Core Purpose & Outreach Service (various providers) | Spring 2024 | A two-year extension option is available. This is a service delivered by schools and VCSE providers. Integrated Commissioning and Procurement and Children's Service's will be reviewing options for the extension in due course. |
| Highways Surfacing of carriageways – two frameworks (Colas Limited; Kiely Bros Ltd; JPCS; Road Maintenance Services Limited) and (Tarmac, Bethell Group, J Hopkins) | Summer 2024 | The Highways Procurement Board will be looking at the recommissioning options for these two frameworks, which will include consideration of the potential for in-house delivery. |

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| Highways Gritting (Balfour Beatty Living Places) | Summer 2024 | There is an extension option available. Integrated Commissioning and Procurement are in early discussions with Highways regarding recommissioning plans. |
| Security Services (various, but the principal contract is with Mitie) | Spring 2025 | Integrated Commissioning and Procurement are in early discussions with the Head of Service regarding recommissioning plans. |
| Finance and HR system (SAP) | Spring 2025 | Currently in procurement. |
| Small Format Advertising (JCDecaux UK Ltd) and large format advertising (Ocean) | 2031 (small format) 2026 (large format) | To be determined |
| CAPS (Child & Parent Service) Parenting Programme (MFT) | Autumn 2026 | To be determined. |
| Leisure Services Contracts (Greenwich Leisure Limited; Sports and Leisure Management) | Spring 2028 (extension option available) | To be determined. |

4. Next steps

- 4.1. As referred to above and described further in the March report to the Committee, the Major Contracts Review Board will be overseeing contract performance, the forward plan for the contract (i.e. recommissioning planning) and delivery model assessments for the major contracts.
- 4.2. There are a number of further steps in train where the Council is working, as part of a broader programme of work, to improve contract management across its portfolio. This includes the following:
 - The council is currently implementing a new contract management system, which will aid planning and visibility of the procurement pipeline, both for internal management processes but also for external visibility, with procurement pipelines to be published on the council's website.
 - Integrated Commissioning are working to set up regular quarterly contract sessions with Directorate Management Teams. We are currently working with commissioning leads and Finance colleagues to determine how these sessions could be structured to best help directorates practically manage their portfolio. It is envisaged that the sessions would review contract performance, raise any priority issues, share learning and also to review spend with suppliers, particularly with top contracts and suppliers.

- the Integrated Commissioning and Procurement Team is preparing for the forthcoming Procurement Act, referred to above.
- This month (June) Heads of Procurement across Greater Manchester, and other North West authorities, have agreed to set up a contract management working group aimed at sharing and embedding good practice.

5. Recommendations

- 5.1. The Committee is recommended to note the content of the report and comment / question the information presented to the Committee as appropriate.