

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 20 July 2023

Subject: MCC Housing Services & Equans contract extension (Part A)

Report of: Deputy Chief Executive & City Treasurer
Director Housing Services

Summary

The delivery of a good quality housing repairs and maintenance service to our local residents is one of the primary functions of MCC Housing Services, in its role as a social landlord.

EQUANS successfully bid for the contract in 2020 and the service went live in April 2021, following a short transition from Mears (the previous repairs and maintenance contractor). The initial contract was let for a period of 3 years, with an option to extend for a further and maximum of three years, up to March 2027.

As part of the commissioning cycle and best value approach, the Council has reviewed the priorities for the next period and recommends the extension of the current contract, albeit with the introduction of yearly break clauses in 2025 and 2026 so the council can ensure maximum flexibility and quality of delivery. A delivery model assessment is currently in progress and this extension will allow for detailed implementation planning under different delivery model options.

Recommendations

The Committee is recommended to endorse the recommendation of the report to extend the MCC Housing Services contract up to a maximum of three years, noting the annual break clause and review of future delivery models.

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

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

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.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Good quality housing is at the heart of the Making Manchester Fairer programme and tackling inequalities in the city.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
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.

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Background documents (available for public inspection):

The following documents disclose important 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.

A Place Called Home: A vision for the management of our social housing

1.0 Introduction

1.1 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

1.2 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

1.3 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 incoming social housing act, 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.

1.4 In light of these ambitions, the current context and the improving delivery of the repairs and maintenance service, this report sets out 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.

2.0 Background

2.1 The initial repairs and maintenance contract was awarded by the former ALMO (Northwards Housing) to ENGIE in 2020, and the contract commenced April 2021 with an initial contract value of c.£11.1m for a period of three years up to April 2024, as part of the initial contract there is an option to extend for up to a further three years.

2.2 The contract is subject to an annual inflationary increase, and in 2022/23 the contract was uplifted by CPI +1% which was 9.9% at that time. Similar indexation will see the contract costs increase to a budget of c£17.5m for 2023/24. Officers are currently in discussions with the contractor to agree the workload for 2023/24. As part of the HRA business plan a 5% per annum budget reduction has been built into the budget for the repairs and maintenance service. The delivery model assessment that is currently in train (and described further below) will be analysing costs associated with different delivery models to identify options that deliver good value for money for the council.

2.3 As part of bringing Northwards Housing back in house the contract was novated to the City Council in July 2021. During the lifetime of the contract, Engie have changed their name to Equans and were purchased by Bouygues in October 2022. The contract terms, however, remain unchanged throughout.

2.4 The fundamental deliverables of the contract are

- Responsive Repairs
- Inspections
- Planned and Preventative Maintenance (PPM)
- Building Safety Compliance
- Adaptations
- Void Property Work

2.5 Following a short and challenging mobilisation period, during the Covid pandemic, the repairs and maintenance contract is performing well, with the majority of performance indicators being met across repairs and compliance. Performance has also improved in relation to voids turnaround times and resident satisfaction with repairs is at 85%.

2.6 Over the last two years Equans have steadily made progress and KPI's are now beginning to reach the targets set. In continuing the service's improvement journey, there is still much work to do, and the focus on improving responsive repairs and relet times will remain top priorities.

3.0 Assessing future delivery model options

3.1 As highlighted to the Resources and Governance Scrutiny Committee in June 2023, officers are undertaking a delivery model assessment for future delivery options - principally whether to continue to outsource in the longer-term or to bring the service in-house.

3.2 The initial feasibility assessment has to date included consideration of:

- the wider context in which this contract operates. The landscape has changed, for example, since the current contract was originally let, most notably with the housing service being brought in-house, and there have also been wider market developments;
- the key elements involved in the service delivery including the different work processes involved, the management oversight arrangements (e.g. quality management processes, the planning processes), and the subcontracting arrangements (noting that subcontractors are used to complement Equans operatives)
- the workforce requirements for delivering the service (e.g. staffing levels, qualifications and expertise required), the physical assets required including the depot, the technology and ICT systems requirements; and the current subcontractor network that is used on the contract.
- how insourcing and continued outsourcing models compare in the context of five evaluation criteria: strategic fit, people and assets, service delivery, transition and implementation, and risk.

3.3 The early considerations from this initial feasibility study were shared with the June Major Contracts Board. To summarise, the potential to insource the service should not be ruled out and both options (insourcing and outsourcing) have pros and cons. Strategically, a high performing repairs and maintenance service is core to the council's strategic ambition; it's not an ancillary service.

In that context, an insourced service has the potential to offer the council the greatest leverage over the performance and future direction of the service. Market research too suggests that more authorities are choosing to insource.

- 3.4 It is not the case though the service could 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.
- 3.5 This is why the delivery model assessment needs to consider further the detailed implementation plan as well as the financials. It is also why the outsourcing option will continue to be worked through too, noting that performance on the current contract is improving. Appendix 1 of the attached Part B report provides a summary of the initial considerations from the assessment.
- 3.6 In light of the above, a decision on the longer-term delivery model - insourcing or outsourcing - is therefore not recommended at this point in time. Instead, the recommended option is to extend the contract but with annual break clauses to give maximum flexibility.
- 3.7 The extension will provide the continuity in service for residents, along with the time needed to undertake the further detailed implementation planning, and the financial analysis, prior to a decision on the longer-term delivery model. This work will include:
- an assessment of the whole life cost of potential delivery models. The assessment will consider both current costs and also look to understand how these compare with elsewhere and insourced options, in order to identify the affordability and value for money of each delivery model.
 - engagement with stakeholders including with residents and trade unions.
 - workshops with corporate services (principally HROD, Finance, ICT, Legal) to work through implementation planning and understand timescales. We know from previous insourcing projects that sourcing and introducing new technology will have lead-in times that need to be built in.
 - further market analysis.
- 3.8 The work, and ongoing performance of the contract, will continue to be overseen at a strategic level by the Major Contracts Board, including relevant Executive Members.
- 4.0 Proposed extension**
- 4.1 In recommending to extend the contract for housing repairs and maintenance for up to three years, there have been a number of key considerations, which are set out more fully in Part B of this report.

4.2 Due to the ongoing integration of the former ALMO to MCC, which includes the migration to the council's ICT infrastructure later in 2023 and the creation of a new operating model, the commercial structure of the proposed extension provides the council with the maximum amount of flexibility to determine the future delivery model, whilst maintaining the crucial issue of service delivery to our residents.

4.3 **Housing Advisory Board**

4.3.1 In terms of resident oversight and governance, the council created the Housing Advisory Board in July 2022, which consists of 5 resident, 5 elected members and 3 independent housing experts and is chaired by Cllr Gavin White, Executive Member for Housing and Development. 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. The next board is being held on the evening of 20th July 2023.

4.3.2 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.

4.4 **Decision Making**

4.4.1 The decision to extend the contract is a key decision made by the Deputy Chief Executive and City Treasurer.

5.0 **Recommendations**

5.1 The committee are asked to endorse the recommendation of the report to extend the MCC Housing Services contract up to a maximum of three years, noting the annual break clause and review of future delivery models.