

**Manchester City Council
Report for Resolution**

Report to: The Executive – 14 February 2024

Subject: Sourcing Policy

Report of: Deputy Chief Executive and City Treasurer

Summary

This report seeks Executive approval for a new Sourcing Policy for the Council, further to the Insourcing First Motion agreed by the Council in 2023. The policy is attached in Appendix 1 and accompanying guidance for staff is attached Appendix 2.

Recommendations

The Executive is recommended to adopt the Sourcing Policy.

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 | The Sourcing Policy requires consideration of social value and environmental impacts in the assessment of delivery model options. |
| Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments | The Sourcing Policy requires assessment of the people considerations (i.e. staffing) and the service delivery considerations and impact on end-users (e.g. residents, communities). |

| Manchester Strategy outcomes | Summary of how this report aligns to the Our Manchester Strategy/Contribution to the Strategy |
|---|---|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | The Sourcing Policy promotes consideration of different delivery models, which in turn can support a more diverse local economy. |
| A highly skilled city: world class and home grown talent sustaining the city's economic success | The Sourcing Policy requires assessment of the 'people' considerations relating to different delivery models, which will include how a service model is placed to attract, and develop the skills and expertise needed. |

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| A progressive and equitable city: making a positive contribution by unlocking the potential of our communities | Through an assessment of different delivery models, the Sourcing Policy aims to alight on the most appropriate delivery model for achieving the required service outcomes. |
| A liveable and low carbon city: a destination of choice to live, visit, work | Social value and carbon considerations are explicit factors in the Sourcing Policy when assessing different delivery models. |
| A connected city: world class infrastructure and connectivity to drive growth | In undertaking delivery model assessments, the Sourcing Policy promotes a review of the key assets required for delivering a high performing service. |

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

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained in the report

Risk Management – different delivery model options will have different corresponding risks, which the Sourcing Policy requires an assessment of.

Legal Considerations – the Council has certain statutory duties which apply when considering the most appropriate delivery model for a service, including the Best Value duty. The Sourcing Policy complies with these, providing a framework for an objective appraisal of delivery model options.

Financial Consequences – Revenue

No direct financial consequences; decisions on delivery models themselves will have financial consequences and the Sourcing Policy requires consideration of the costs involved under different options.

Financial Consequences – Capital

No direct financial consequences; decisions on delivery models themselves will have financial consequences and the Sourcing Policy requires consideration of the costs involved under different options.

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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.

Progress Update on the Major Contracts Review Board – March 2023 Resources and Governance Scrutiny. In particular Appendix 2 had an early iteration of the Sourcing Policy.

1.0 Introduction

- 1.1 The Council agreed an “Insourcing First Motion” in February 2023, “To continue to begin with insourcing as the default option for services with clear guidance to the policy development teams within the council on this priority.”
- 1.2 Related to this, the Major Contracts Review Board was established in 2022 following a request by the Resource and Governance Scrutiny Committee to have oversight of the Council’s main or ‘gold’ contracts. The terms of reference of the board include 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 (parameters of evaluation to be inserted – e.g. scope for savings, investment, value for money, effectiveness, social value, environmental issues etc).
- 1.3 An early iteration of the policy – which closely resembles the final proposed draft attached - was discussed at the March 2023 Resources and Governance Scrutiny meeting (RAGOS) and changes made, including explicit reference to consultation with Trade Unions. An update on the work of the Major Contracts Board and application of this policy will be included on the RAGOS workplan on an annual basis.
- 1.4 Since then the approach has been tested for its practical application to different service areas including management of the Council’s investment estate, security, housing repairs and maintenance, homecare and the Manchester Equipment and Adaptations Partnership.
- 1.5 It has also been subject to discussions with Trade Unions at the Joint Advisory Committee and Corporate Core teams including HRODT, Legal and Finance have been involved in preparing Delivery Model Assessments to date; feedback has subsequently been taken on board.
- 1.6 The final version of the Sourcing Policy is attached in Appendix 1 and accompanying guidance for staff is attached in Appendix 2. These are intentionally separated, as recommended by the Major Contracts Review Board, to allow for the guidance to be added to and updated as and when needed.

2.0 The Sourcing Policy – Key Elements

- 2.1 The Policy will apply to all council contracts as appropriate to the size of the contract but with certain exceptions as set out in the policy - principally

because of where there is likely to be only one feasible delivery model (e.g. ICT hardware and software contracts).

- 2.2 Delivery Model Assessments will be completed in full for all Contracts that are classified “Gold” and therefore within the remit of the Major Contracts Review Board. A contract is classified as “Gold” on the basis of:
 - Value
 - time to source an alternative contract if required,
 - impact of contract failure,
 - potential reputational risk to MCC from contract failure, and
 - potential information or safeguarding considerations.
- 2.3 The policy will be applied to contracts so that adequate time is allowed to carry out the assessment and implement the agreed approach which may include a new procurement or an in-sourcing exercise. This is a key learning point from the initial testing, particularly where a potential insourcing of a relatively complex service is being considered. Continuation of the current delivery model might be the only option in the short-term, whilst the delivery model assessment takes place.
- 2.4 Extension clauses in contracts should not be automatically activated and options for future delivery models must be considered in advance of decisions to extend.
- 2.5 The assessment itself consists of due consideration of the following aspects of a contract or service:
 - Define the service and identify the full range of appropriate delivery model options
 - Establish evaluation criteria for appraising delivery model options
 - Whole-life cost estimation of model options
 - Assessment of models against the evaluation criteria and cost
 - Assessment of implementation timescales of each option
- 2.6 In relation to cost modelling, Integrated Commissioning and Procurement (IC&P) will work with colleagues in Finance to develop a model that will provide a standard method for assessing whole life costs for both existing major contracts and for new services.
- 2.7 The policy includes key considerations aimed at ensuring good value for money, including Strategic Fit, People and Assets, Service Delivery and Quality, Transition and Mobilisation, Risk alongside an assessment of the costs of different delivery model options. The policy also requires that analysis of the market conditions should be carried out to understand benchmark costs and likelihood of a reasonable response should tenders be invited.
- 2.8 The governance process is also referenced in the policy in order to clarify that the assessment of options should be overseen by the Major Contracts Review Board (including relevant Executive Members) and relevant Chief Officers.

2.9 Decision making will take place in line with current practices. Decisions relating to gold contracts are expected to be Key Decisions, by virtue of their size, and therefore subject to the normal call in process.

3.0 Recommendation

3.1 The Executive is recommended to adopt the Sourcing Policy.