

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 7 March 2024

Subject: Major Contracts Update

Report of: Strategic Lead Commissioning

Summary

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

Recommendations

The Committee is recommended to:

1. Note the work of the Major Contracts Board in ensuring that effective governance arrangements are in place for major contracts including for their procurement.
 2. Note the work of the Board in the overseeing development of new delivery model assessments as part of the recommissioning of major contracts and that the Council now has a new Sourcing Policy.
 3. Note that this work has identified opportunities for insourcing in the short-term as well as longer-term insourcing potential. It has also clarified key considerations for implementation planning.
 4. Note that alternative models to insourcing also have a key role for some major contracts.
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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 | No direct impact. However environmental impact is considered in the procurements of new contracts and in the subsequent contract management. |
| Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments | No direct impact. Equality, Diversity and Inclusion though is part of the Council's social value priorities. |

| Manchester Strategy outcomes | Summary of how this report aligns to the Our Manchester Strategy/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 Our 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.

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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.

Sourcing Policy – Executive, 14 February 2024

Major Contracts – Resources and Governance Scrutiny Committee, 22 June 2023

1.0 Introduction

- 1.1 This report updates the Committee on the Council's key contracts, its approach to procurement of these contracts and assessments of how to source contracts due for renewal and/or extension. The committee also previously requested that this include information on each major contract and whether insourcing would be viable.
- 1.2 The report focuses on the subject matter of the contracts themselves in the context of performance management and assessment of options for the delivery model. There is limited reference to Social Value as this is generally covered in two earlier reports to the Committee in 2023 (June and November 2023 Committees).

2.0 Background

- 2.1 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).
- 2.2 In addition, in February 2023 the Council agreed an Insourcing First Motion which included "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."
- 2.3 The Major Contracts Board met 6 times in calendar year 2023, and once so far in calendar year 2024, with meetings scheduled every 2 months. Details on the terms of reference of the Major Contracts Board and what constitutes a major contract, are set out in a report discussed at the June 2023 the Resources and Governance Scrutiny Committee (see Background documents section above for details).
- 2.4 A key focus for the Board over the last year has been oversight of the development and application of new delivery model assessments for recommissioning of major contracts, in line with the developing Sourcing Policy, a draft of which was reviewed by Resources and Governance Scrutiny in March 2023. The approach draws on commissioning good practice for key

considerations in assessments and the need for proportionality, with more critical contracts requiring dedicated delivery model assessments.

- 2.5 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.
- 2.6 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.
- 2.7 The final version of the Sourcing Policy was agreed by the Council’s Executive on 14 February 2024, with accompanying guidance for staff. The policy incorporated earlier feedback from stakeholders including the Resources and Governance Scrutiny Committee.

3.0 The Council’s Major Contracts

- 3.1 The Council’s major contracts in relation to services for the Major Contracts Board are set out in Table 1 below. Goods contracts, ICT contracts (e.g. software licenses) and most construction contracts (except for highways works that could be delivered by the council’s in-house Manchester Contracts arm) are not within the remit of the Major Contracts Board, although there are the same requirements to ensure effective forward planning and contract management arrangements are in place.
- 3.2 The list of major contracts will continue to evolve as new contracts and framework agreements are established. The mental health and learning disability supported accommodation contracts, for example, currently comprise several different, separate contracts but will this year be recommissioned as a new framework, the commissioning of which has been discussed at the Major Contracts Board. That framework will be classified as a major contract, once established.
- 3.3 In addition to Table 1, the Appendix provides further summary information for how the contracts are managed.

Table 1: Major service contracts

| Directorate | Contract / Framework Title | Expiry date and (if applicable) extension option |
|---------------|---|---|
| Public Health | Integrated Alcohol and Drug Early Intervention and Treatment System | March 2024 but with a one year extension option to March 2025 |
| Public Health | Integrated Sexual and Reproductive Health Service | March 2024 but with a one year extension option to March 2025 |
| Public Health | Health Visiting | March 2024 but with a one year extension option to March 2025 |

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| Public Health | School Health | March 2024 but with a one year extension option to March 2025 |
| Public Health | Community Nutrition | September 2024 |
| Children's | Children's Early Years Core Purpose & Outreach Service (traditionally known as Sure Start centres) | March 2024 with a two year extension option to March 2026 |
| Children's | CAPs (Child & Parenting Programme) | October 2026 |
| MLCO | Our Manchester Homecare | Currently under review. MLCO has temporarily paused a procurement for new home care contracts, which were due to expire in summer 2024 but which will need short-term extensions prior to the new contracts commencing. |
| MLCO | Mental Health Social Work | March 2024. This is a wider contract between the other Greater Manchester local authorities and Greater Manchester Mental Health Trust (GMMH). The contract is a rolling one, with renewals historically each year. In light of the serious issues with GMMH, Manchester Local Care Organisation is focused on securing the necessary improvements to services. |
| Neighbourhoods | Waste and Recycling Collection Services Contract | The current extension option runs to July 2031, with a further extension option available to 2038 |
| Neighbourhoods | The collection, disposal and recycling of street cleansing and bulky waste. | July 2026 |
| Neighbourhoods | Repair and maintenance (Northwards Housing) | Up to April 2027 |
| Neighbourhoods | Elite & Community Leisure Facilities | July 2028 |
| Neighbourhoods | Advertising (small format and large format contracts) | July 2031 (small format) September 2025 (large format) January 2025 |
| Highways | Framework for the Surfacing of Carriageways | August 2024 |
| Highways | Surface Treatment to Carriageways/Footways | May 2024 |
| Highways | Gritting | July 2024 |

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| Growth and Development | Investment Property Management Services | May 2024 |
| Growth and Development | Miles Platting PFI | March 2037 |
| Growth and Development | Brunswick Neighbourhood PFI | December 2038 |
| Growth and Development | Grove Village PFI | March 2033 |
| Corporate Core | Electricity (contracts via the council's Electricity Framework) | September 2024 |
| Corporate Core | Gas | March 2024; Energy Management are in process of procuring a new 12 month contract. |
| Corporate Core | Parking Enforcement | March 2028 |
| Corporate Core | Security | January 2025 |
| Corporate Core | Building Services | May 2024 with 3 year extension option |
| Corporate Core | Agency | January 2025 with a 12 month extension option |

4.0 Recommissioning of Major Contracts and Delivery Model Assessments

- 4.1 As seen in Table 1, many of the contracts are up for renewal over the next year. For those contracts, officers have undertaken delivery model assessments, looking at the optimal delivery model for the future service, reporting to the Major Contracts Board.
- 4.2 The delivery model assessment takes place within the commissioning design stage, which is a broader piece of work undertaken within what is sometimes referred to as the commissioning cycle. The design stage will commence with the initial development of the service model – i.e. which services are to be delivered and the desired outcomes. For some contracts – particularly for major contracts where the council is looking to reform services to improve outcomes and value - this can be quite an involved stage, listening to end-users (e.g. residents, staff), understanding what is important for them for the future service, and then developing the service design, applying Our Manchester ways of working.
- 4.3 Once the service model is designed, the delivery model assessment can commence. This assesses different delivery model options - such as insourcing, external delivery, joint venture etc - for their suitability for delivering the required service. The outputs of assessment then inform the subsequent commissioning approach. For example, if insourcing is considered the optimal option for a service, the commissioning work would move into detailed implementation planning and testing. Conversely, if external delivery were

proposed, the commissioning project would then go into more detailed procurement strategy and implementation work.

- 4.4 Viewed as a whole, the commissioning design process for major contracts can take many months or longer and the government advises that the delivery model assessment piece alone can take up to 6 months for complex contracts. Additionally, there is the time required to implement the preferred delivery model, which can take 12 months or more for complex operations, involving new staffing, estates, ICT systems etc.
- 4.5 Over the last year the Major Contracts Board has considered delivery model options for many of the major contracts that are coming up for recommissioning plus some additional areas where insourcing is being looked at by the service (Manchester Equipment and Adaptations):
- Property Investment Services
 - Housing Maintenance and Repair services for MCC Housing Services (previously known as Northwards)
 - Security guarding
 - Highways gritting
 - Highways resurfacing and treatments
 - Home care
 - Learning Disability and Mental Health supported living and day care services
 - Manchester Equipment and Adaptations (MEAP)
 - Early Years Core Purpose (more commonly known as Sure Start centres)
- 4.6 Some of these contracts listed above have reported to the Board on multiple occasions, to update the Board on progress.
- 4.7 The content of Delivery Model Assessments for major contracts comprise some common elements, which have since been codified in the new Sourcing Policy. These are:
- Identification of the key elements of the service to be delivered, and the key assets and skills required. The experience over the last year has shown the importance of having clarity on the different elements involved in the delivery of a given service. For example, there can be critical management, technical or quality assurance tasks (as examples) that are needed behind the scenes to support frontline delivery. Another critical aspect to understand is the required interfaces between the service and other parts of the council or partner organisations, that work together to ensure a consistent, high quality service for residents or end-users.
 - Identifying feasible delivery model options, with insourcing as a default but also ensuring other viable delivery model options are also considered as comparisons, consistent with good practice. Common delivery model options include running a service within the council; a council-owned company or similar, a joint venture between the council and a third party, a mutual organisation, and delivery by an external organisation. In practice, only two or three options may be feasible for a given service. The most

common options looked at to date are insourcing to the council, external delivery and a mixed-model of delivery (i.e. some aspects of the service delivered in-house and some external). By contrast the setting up of new arms-length bodies, joint ventures or mutuals are more suited to particular circumstances and have been less common options explored to date.

- Setting out evaluation criteria for assessing different delivery model options. Five criteria are proposed and have been used in the delivery model assessments to date, but the policy allows officers to flex criteria to the specific context. The five standard criteria are: strategic fit, people and assets (i.e. how well placed is a delivery model option for delivering the people and assets required), service delivery (i.e. how well placed is a delivery model option for delivering the service to the necessary standard?), transition and implementation considerations, and risk. Overall these have been found to have worked well in framing assessments and the experience over the last year has been that two to three factors tend to emerge as key in the assessment.
- Undertaking a qualitative assessment against the set evaluation criteria.
- Undertaking a quantitative assessment of the whole life cost of the delivery model options.
- Identification of the recommended approach based on the qualitative and quantitative assessment.

4.8 The experience from the past year is that Delivery Model Assessments will often start with an initial scoping piece – sketching out elements of the service required, the delivery model options and initial qualitative assessment – and the assessment then gets filled out as further data completes the picture and the assessment is refined.

4.9 It's also important to note that the recommendation from a delivery model assessment is not a final decision – there is the detailed subsequent work, whether planning an insource, or preparing for going to the market, that needs to be done post-assessment. There are commercial implications too from decisions to insource or otherwise which need careful management. For example, where there is an external supplier currently but where the intention is to insource in the future, the Council needs to ensure that the supplier maintains high performance on the contract for the interim.

4.10 The specific recommissioning plans for major contracts that have undergone a delivery model assessment are set out in Table 2.

Table 2: Planned recommissions for major contracts

| Service | Recommissioning Plans |
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| Property Investment Services | To insource the core elements of the contract and go to the market for any non-core requirements. Growth and Development are currently working on the implementation. |
| Housing Maintenance and Repair services for MCC Housing Services | To utilise the extension option on the current contract, with annual break clauses, with a view to potential insourcing at one of the contract break points. MCC Housing Services have established a programme |

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| | board with representation from ICT and Procurement to develop the detailed implementation planning. Some subcontracting of specialist elements of the service is likely to be required under any option. |
| Security guarding | To continue with external delivery. Facilities Management are currently working with Integrated Commissioning and Procurement to go out to market in Q1 24/25, with a strengthened contract. |
| Highways gritting | This currently has some functions delivered in-house – namely planning of gritting, buying of grit, depot – which will continue in-house. The service is currently procuring an external operator to deliver the gritting operations. |
| Highways resurfacing and treatments | Highways have two frameworks they currently use and will be going back out to market to reprocure frameworks. The specialised nature of the works delivered, as well as the high cost of entry to market, mean it would be unviable for the Council to deliver this service in house. |
| Home care | MLCO are working to procure a new framework of external organisations – external delivery will be required both to help meet the scale of homecare demand in the city, and to help provide choice for residents under the Care Act. The in house Reablement arm focused on the value-added reablement services will be retained. It is noted though that in the future, new services may be needed to complement current homecare and reablement offerings, which would be subject to delivery model considerations. |
| Learning Disability and Mental Health supported living and day care services | MLCO will be procuring a brand new framework of external providers for these services. Like homecare, there is a need for external provision to ensure sufficient supply and choice. However, MLCO will be retaining and looking to reshape the in-house services within learning disability services to provide more complex care, which can be more challenging to source through the external market. |
| Manchester Equipment and Adaptations | Following a review of the performance of the outcomes of outsourced provision for adaptations works classified as Major, the decision was taken to bring the delivery of all major adaptations across all tenures back in to the council. All new agreed assessments of need for major adaptation works will be delivered in-house from April 2024 and it is envisaged that the current works being delivered by the three Lead Registered Providers should be concluded by September 2024. Minor works will continue to be arranged and delivered under current |

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| | contractual arrangements with a strengthened quality assurance function. |
| Early Years Core Purpose | Manchester has a mixed model of delivery for Sure Start centres, which are organised into 7 groups – 4 of these are delivered by external providers and 3 groups are delivered in-house. The contract for the externally delivered centres has a two year extension option. The service undertook a summary delivery model assessment, following which the service will be extending current contracts with a view to a full recommissioning exercise being undertaken. |
| Integrated Alcohol and Drug Early Intervention and Treatment System | The Public Health healthcare contracts are not in scope for delivery model assessments because of the unique nature of health and social care integration and the establishment of the Manchester Local Care Organisation, which is a partnership between the Council and Manchester Foundation Trust (MFT). Furthermore, new legislation has come into force this year – the Provider Selection Regime – which sets out the different routes for how services can be commissioned. The Director of Public Health discussed the future recommissioning plans for the major contracts (4 out of 5 of which are currently delivered by MFT) at the December Major Contracts Board. For 2024/25 current contracts will utilise existing extension options for extending contracts for one year after which new contracts will be commissioned under the Provider Selection Regime. |
| Integrated Sexual and Reproductive Health Service | |
| Health Visiting | |
| School Health | |
| Community Nutrition | |

- 4.11 As well as overseeing the completion of the above delivery model assessments the Major Contracts Board has considered a number of other issues.
- 4.12 The April Board will be receiving reports on the Council’s utilities contracts (electricity, gas and water) and the leisure centre contracts. On utilities, the main development over the last year has been the procurement of the Power Purchase Agreement, which is planned to become online in September 2025. Although not in-house, it represents a major innovation renewable energy contracting. In the meantime, the council will continue to use its new frameworks for electricity and gas that have been procured over the last six months. On leisure, the current contracts run till 2028 and Integrated Commissioning and Procurement will be working with the service this year on a delivery model assessment. The remaining required delivery model assessments will be prepared for the Major Contracts Board in due course.

5.0 Wider work on contract management

- 5.1 This section of the report updates on the work to support contract managers and strengthen oversight of contracts. This includes:

- Training and development. The Council currently has a cohort of 9 contract managers who are undertaking the government's Contract Management Practitioner Programme – a virtual classroom based course consisting of 15 sessions and a final assessment, delivered over a year. Some members are close to completing this and feedback has been positive despite some early onboarding issues. Further spaces are becoming available, and Integrated Commissioning will shortly be engaging with the pool of contract managers to gauge interest. In addition, Integrated Commissioning are continuing to work with commissioning teams and will be working with Homelessness commissioning team and (separately) Children's commissioning team to work through together how they can apply good contract management practice to their respective areas.
- The new contract management system has been developed and configured and is about to enter the testing phase. The system will start to go live early in the new financial year.
- Integrated Commissioning have developed their spend analysis tool, which looks at top spend with suppliers by directorate, among other things. Quarterly meetings with Directorate Management Teams are held to run through the analysis, with the aim of identifying opportunities for additional value, savings and raise any support performance or other issues.
- Work to strengthen social value and zero carbon commitments in contracts. The Resources and Governance committee received separate reports on social value last year (June and November 2023 Committees).

6.0 Recommendations

6.1 The Committee is recommended to:

1. Note the work of the Major Contracts Board in overseeing development of new delivery model assessments as part of the recommissioning of major contracts and that the Council now has a new Sourcing Policy;
2. Note that this work has identified opportunities for insourcing in the short-term as well as longer-term insourcing potential. It has also clarified key considerations for implementation planning;
3. Note that alternative models to insourcing also have a key role for some major contracts.