

Manchester City Council – Transforming City Works May 2008

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In 2006 Manchester City Council (MCC) embarked on an ambitious programme to improve operations in order to meet the Government's new social housing standard: Decent Homes 2010. In order to be decent a home should be warm, weatherproof and have reasonably modern facilities.

In 1997 there were 2.1 million houses owned by local authorities and housing associations that did not meet this standard. Across the UK local authorities had a £19bn backlog of repairs and improvements.

Many councils will resolve the challenge to meet the new standard by using existing resources (which, per property, are substantially higher than in 1997) and retain both ownership and management of their stock. For those that need extra funding to meet the required standard, the Government outlined three options designed to deliver improved performance and services, while ensuring the extra money will be spent cost effectively.

The three options are:

- **Option 1:** Setting up an Arm's Length Management Organization (ALMO). An ALMO is a new company created by the council to manage its homes and make them decent. Although the council still owns the homes it is free to focus on more strategic housing functions. If the Housing Inspectorate rates the ALMO as 'good' or 'excellent' the Government makes extra money available in order to make the homes decent.
- **Option 2:** Using Private Finance Initiative (PFI) to encourage extra private sector investment. PFI enables the Government to provide financial support for partnerships between the public and private sectors. Typically, PFI contracts last for thirty years. Although the council still owns the homes, in most cases, the private sector partner will provide the management services.
- **Option 3:** Transferring all or some of the stock to a Registered Social Landlord (RSL). RSLs or Housing Associations who can borrow money from banks and building societies in order to make the transferred houses decent. The council is free to focus on more strategic housing functions.

Because MCC was required to meet the standards of the government's new Decent Homes directive and improving housing for residents, getting its workforce realigned so that it could deliver to these requirements and beyond, was a top priority.

It initiated a programme which affected 1000 staff in the Contracting Services department who were transferred to local housing companies and a new joint venture company – Manchester Working Ltd. The new organization was formed to deliver direct benefits to MCC's residents through improved quality of service and provide a new working environment for staff. The company was set up as a joint venture between Morrison Facilities Services which owns 80%, and MCC which owns 20%.

This partnership brought together the knowledge and skills of the Council's workforce with Morrison's commercial expertise and ability to secure work in new markets. The company set out to meet clients' changing requirements and continually improve service quality and competitiveness.

Manchester Working Ltd successfully commenced its operations with an order book of over £310m. The programme commenced in November 2004 and concluded in September 2006 – it consisted of 2 key phases and included 5 projects and 6 workstreams in the portfolio.

Turner & Townsend, construction & management consultants, were appointed to implement the programme for MCC, maintaining business as usual, while delivering the transfer of employees to the new organizations, launching the new company and managing a potential residual liability of £27million.

'The key driver behind the programme was risk mitigation,' says Jim White, Director, Turner & Townsend. 'MCC provides a high performing service and it supports challenging aspirations. It won Office of the Deputy Prime Minister (ODPM) approval for its Housing Investment Options strategy for a combined solution which transferred 98% of the Council's housing. This solution involved a Private Finance Initiative (PFI) partnership, an Arms Length Management Organization (ALMO) and a Registered Social Landlord (RSL) But the impact of transferring 50,000 houses to the new – organizations (ALMO/RSL's/ PFI's) identified a residual risk liability of £27m if the Council could not secure long term certainty of work for the 1000 employees who provided direct and support services to these houses.'

This risk could only be supported by MCC's Treasurer if there was a robust strategy in place to manage it, White says, 'A programme of this scale needs to be underpinned by a sound, reliable method and

OGC's *Managing Successful Programmes* (MSP®) enabled us to deliver it on time and was fully endorsed by political members, central government, staff, trade unions and the new private sector partner. It also interfaced well with MCC's own award winning PRINCE2® derivative and with ISO9001.'

'MCC's tailored version of PRINCE2 was working well,' White explains, 'but the internal staff had not deployed it to deliver such an extensive change programme. Turner & Townsend wanted to be more than just a consultant to MCC; we were able to bring a thorough knowledge of MSP to the table. This robust framework allowed us to manage the risk while optimizing the outcome and benefits.'

Over 550 blue and white collar council staff transferred to the new company in 2006, with their terms and conditions of employment preserved under the UK's TUPE regulations. These regulations preserve employees' existing terms and conditions in a new, successor organization.

A key part of the success of the programme was of course communicating with those whose roles would be affected. Key stakeholders were identified as:

- Employees
- Customers and service users
- Executive Members and Councillors
- Chief Executive/Management Team
- Trade Unions
- Manchester Housing Services
- Audit Commission and District Auditor
- ODPM.

With such a large number of people being affected by, or having an opinion about, the programme, stakeholder engagement was key. An elaborate communications programme was devised by the Senior Responsible Owner (SRO) including bespoke communications with the different groups.

'The role of the SRO is absolutely key to effective communications,' White says, 'because we were looking for a ten year partnership with bidders we needed the involvement of the strategic management team throughout. The SRO is vitally important because the responsibility for ensuring the programme meets its objectives lies with them, so they need to be aware of all the key stages in the plan.'

The programme was kept on track with Gateway™ Reviews: 'We wanted to 'future proof' the programme so although Gateway Reviews always involve extra documentation, we were well prepared. We had lots of stakeholder involvement and we were milestone-driven so it was important that we stuck to our commitments. The suite of documents we needed for the reviews were already part of what we were doing within the Programme Office. The government's local government project delivery specialist 4ps, cited elements of our programme documentation as exemplary during the review.'

Turner & Townsend is now using MSP regularly for business change programmes. White says: 'The 2007 edition of MSP focuses on benefits and it's a very effective method used by all of our consultants on major programmes. Currently we are training around 40 consultants a year with Provek, our preferred MSP training provider. We believe that MSP is a good framework and it gives you credibility with key stakeholders such as the Chief Executive. You need to be able to look them in the eyes and see their commitment to the programme.'

John Lorimer, Capital Programme Director, Corporate Services, Manchester City Council concludes: 'The joint venture has been operational for 18 months and has delivered the anticipated throughput of work. Employees and residents – along with the twenty-four apprentices who were taken on – have now become well integrated into the new service and will sustain the long term future of Manchester Working Ltd.'

'It is clear the well ordered and structured procurement process has delivered the Council's brief. Working together with our partners has again proved successful with Turner & Townsend being a valued member in the team,' Lorimer says.

Acknowledgements

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