

**Manchester City Council  
Report for Resolution**

**Report To:** Resources and Governance Overview and Scrutiny  
Committee – 3 September 2009

**Subject:** To review Manchester Working Limited's governance,  
performance and financial strategy.

**Report of:** Manchester Working Limited

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**Summary**

The report provides an overview of the governance, performance and financial strategy of Manchester Working Limited and how these impact and support the long term sustainability of the joint venture business.

**Recommendations**

To note the report

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**Wards Affected:.**

All

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**Background documents (available for public inspection):**

None.

## **1.0 Background**

1.1 Manchester Working Limited (MWL) was established as a joint venture company, jointly owned by Morrison Facilities Services Ltd. 80%, and Manchester City Council 20%, on the 1<sup>st</sup> September 2006.

1.2 MWL provides housing maintenance, refurbishment and capital improvement works to Northwards Housing Limited (Northwards). MWL also provides specialist maintenance services to other Registered Social Landlords (RSLs) and maintain and refurbish the Council's public buildings portfolio.

1.3 MWL has recently been awarded the contract for Housing Contact Centre services for Northwards and the City Council. This is a new area of activity for the Company although it has significant synergy with the repair and maintenance functions already provided.

1.3 The Company has been in existence for 3 years and during that period has successfully met its operational and financial targets.

## **2.0 Governance Arrangements**

2.1 MWL is registered under the Companies Act, Company No. 05856213. Morrison Facilities Services Limited (MFS) and Manchester City Council created the Company under the terms of a Joint Venture and Shareholders Agreement dated the 31<sup>st</sup> August 2006. This Agreement sets out the objectives of the Company and the arrangements under which the Company is controlled and governed.

2.2 MFS own 80% of the shares in the Company and Manchester City Council own 20% of the shares. The Company is a subsidiary undertaking of MFS as it owns more than 50% of the shares. MFS therefore direct the Company and shareholders are represented at the relevant Company meetings, in proportion to the ownership of the Company.

2.3 The Company meets on a quarterly basis and Manchester City Council nominates two Directors. The City Council is currently represented by Cllr Andrews, Executive Member for Neighbourhood Services and the City Treasurer Mr. Richard Paver. MFS nominate 8 Directors, of which 6 are currently filled. These are Mr Guy Wakeley Chief Executive MFS, Mr. Nigel Howell, Finance Director MFS, Mr. Bill Coghill Business Development Director MFS, Mr Mike Turner Managing Director - North MFS, Mr Des Morris Managing Director MWL and Mrs Lesley Wallace Finance Director MWL.

2.4 MWL has developed a standard reporting format for the meetings which considers all of the key areas necessary from the Joint Venture and Shareholders Agreement, including financial planning and performance, operational performance, business support, business risk and business development. Minutes of each meeting are taken and all decisions or actions are recorded.

2.5 As part of the creation of the company MWL was awarded a Framework Contract through which it delivers a range of services for the City Council and Northwards Housing. MWL has also won work for other local clients not party to the original Framework Contract. This Framework Contract identifies a number of different Service Streams which are of varying durations from 3 to 7 years and are extendable in varying degrees. The delivery of work within each Service Stream provides the basis for the income of the Company.

2.6 The Joint Venture and Shareholders Agreement controls the governance of the Company and the Framework Contract sets out the performance standards under which each of the Service Streams will be delivered.

### **3.0 Performance**

3.1 The Framework Contract includes 9 different Service Streams which are consolidated into three main business areas for which there is a suite of performance indicators.

- Housing Repair and Maintenance
- Public Buildings Repair, Maintenance and Specialist Services
- Capital refurbishment and Decent Homes (Impact Manchester Frameworks agreed key performance indicators).

3.2 A summary of performance against each of these three areas, to the end of March 2009, is included as an Appendix to this report.

3.3 MWL has, in the main, met or exceeded the performance standards defined within the contract including quality and customer satisfaction indicators. A particularly pleasing aspect has been the consistently high standards achieved in the refurbishment of Northwards properties under the Decent Homes programme. MWL have consistently exceeded both the contractual and aspirational targets set by Northwards.

3.3 In November 2008 Northwards were inspected by the Audit Commission. MWL deliver two thirds of Northward's Decent Homes Programme and all of their repair and maintenance services. MWL officers and staff actively participated in the inspection alongside colleagues in Northwards and a number were interviewed by the Audit Commission. The achievement by Northwards of a three star rating with Excellent Prospects for Improvement is also a reflection of the quality and standard of service delivered by MWL. This external verification of service quality has proved very positive in supporting MWL's marketing strategy.

3.4 MWL deliver service to other parties not directly within the Framework Contract and the successful delivery of services to these clients is essential if MWL is to grow the business in the future. MWL have secured new work and re secured existing work with a number of external clients based upon the strength of the operational delivery. New Decent Homes work has been secured with City South Housing Trust based upon the quality of the Northwards programme and repair and

maintenance work for Contour Housing has been re-secured for Peak Valley Housing Association in the Hattersley area.

3.5 MWL continues to support the broader Council objectives in relation to local employment and regeneration and as part of its ongoing commitment has recruited a further 12 apprentices from the 1<sup>st</sup> September 2009. This brings the total number of apprentices recruited by MWL in the last three years to 51. The latest apprentices are all from the Greater Manchester area including 10 from the City itself.

#### **4.0 Financial Strategy**

4.1 MWL operates a three year financial planning cycle with monthly phased current and second years and a summary third year. This is in line with MFS financial regulations and is very similar to the process operated by the Council.

4.2 Financial targets are presented to the Board on an annual basis and each Quarterly Board Meeting reviews and comments on the performance against the targets as necessary. Performance is measured against quarterly forecasts and budget to provide a trend analysis across and between years.

4.3 Financial information is broken down into the key measures of performance within the following three main financial areas:

- Profit and Loss Statement
- Cash Flow Statement
- Balance Sheet Statement

4.3 These three Statements include the key financial ratios and performance measures so the Board can clearly understand and monitor the performance of the Company.

4.4 Annually the Company files Statutory Accounts at Companies House in accordance with legal requirements and when appropriate declares a dividend for the Shareholders.

4.5 A key aspect of MWL's financial strategy is the growth of the business to replace the Northwards Decent Homes programme which ends in December 2010. Currently Decent Homes work accounts for over two thirds of MWL's turnover. Although MWL have exceeded the growth targets originally set when the joint venture was formed, the business still needs to win a considerable amount of new work to replace the turnover which will disappear. Additionally the volumes and value of other work included in the Framework Contract has declined this financial year and is forecast to continue to decline as decent homes refurbishment of Northwards stock continues and Council budgets are squeezed. In order to replace this reduction in revenue MWL must win work competitively in the open market. However the current recession has made the construction market much more competitive and therefore MWL has to improve the productivity of its workforce and reduce the overhead required to run the business if it is to secure new work.

4.6 MWL has invested heavily in technology to improve the productivity of the workforce by introducing Hand Held Technology and new business systems. MWL have also increased the levels of integration within the business to reduce duplication and manual inputting of data. As a consequence of both competitive pressure and technological improvements MWL have found it necessary to review the organisational structure and rationalise the workforce in order to secure a sustainable future for the business. The redundancy process for the affected employees will be managed in full consultation with the appropriate trades union representatives.

4.7 MWL has recently been successful in being appointed onto a number of Framework Agreements. Appointments have been made as follows:

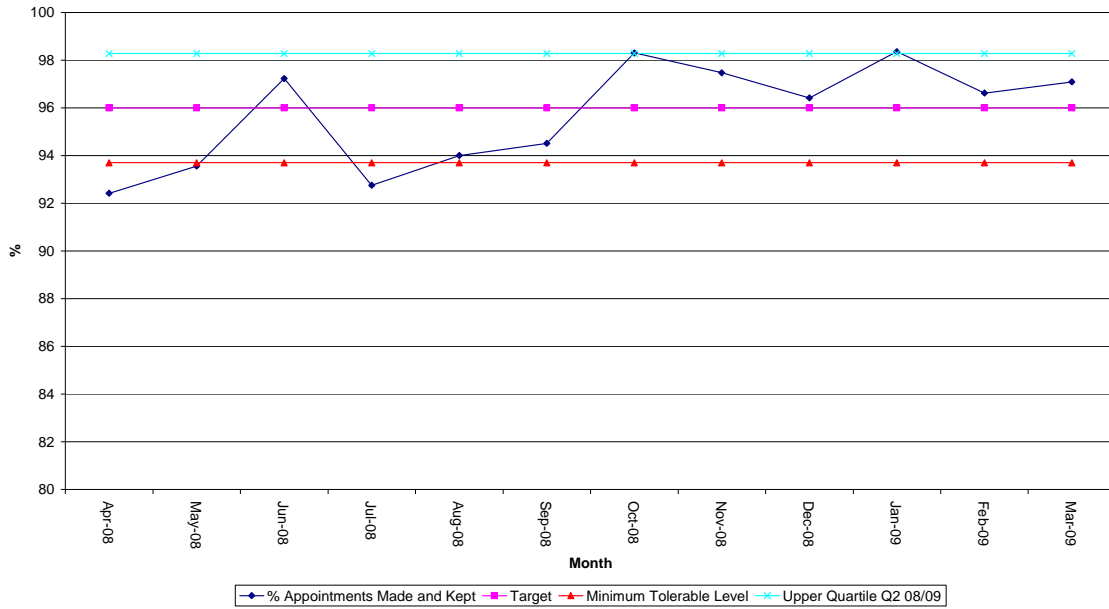
- City West Homes – Decent Homes
- City South Manchester Housing Trust – Decent Homes
- Salford City Council – Aids and Adaptations
- GM Procure – Housing R&M
- Bolton MBC – Public Buildings R&M and small refurbishment

4.8 Additionally MWL are tendering for work with a number of potential new clients, including Eastland Partnership Homes, Warrington Borough Council and the Regenda Group. If MWL are successful all the above opportunities will help support the continued long term sustainable employment of the workforce.

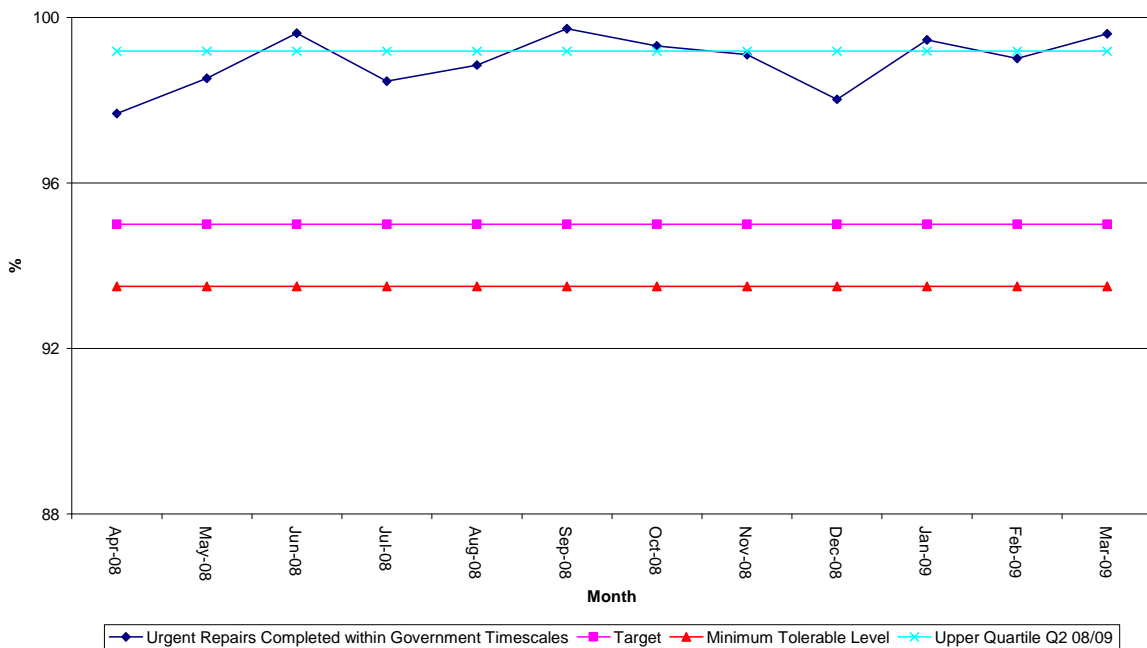
**Appendix 1**

**Northwards: Repair & Maintenance**

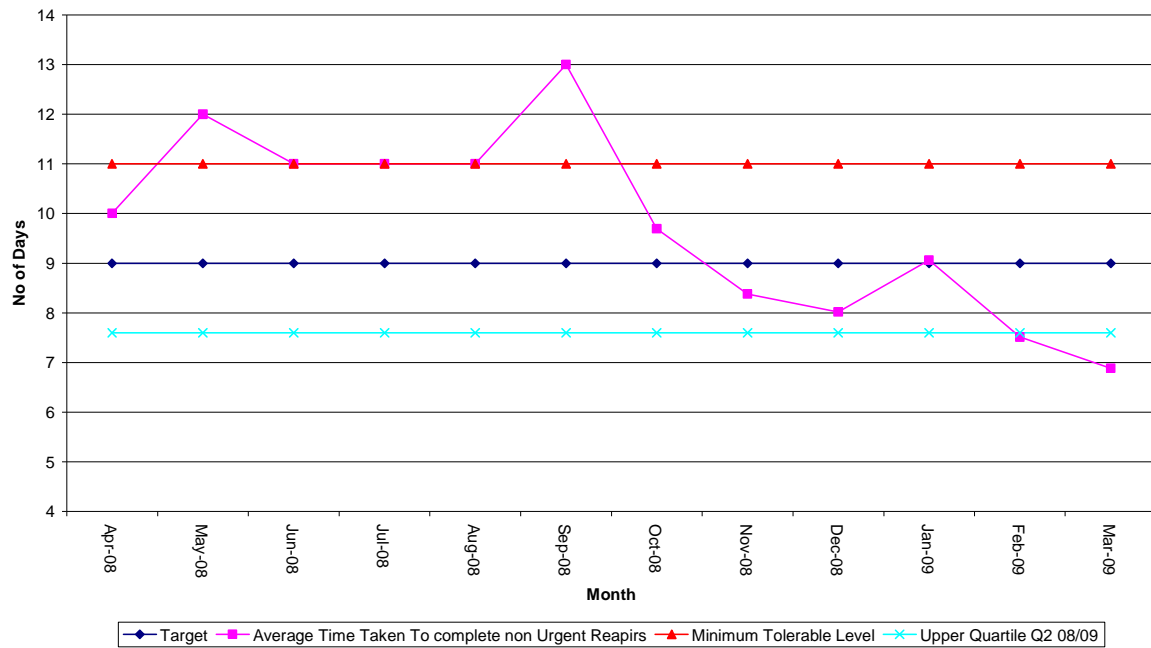
**NHL815 Appointments Made and Kept (MHL005)**



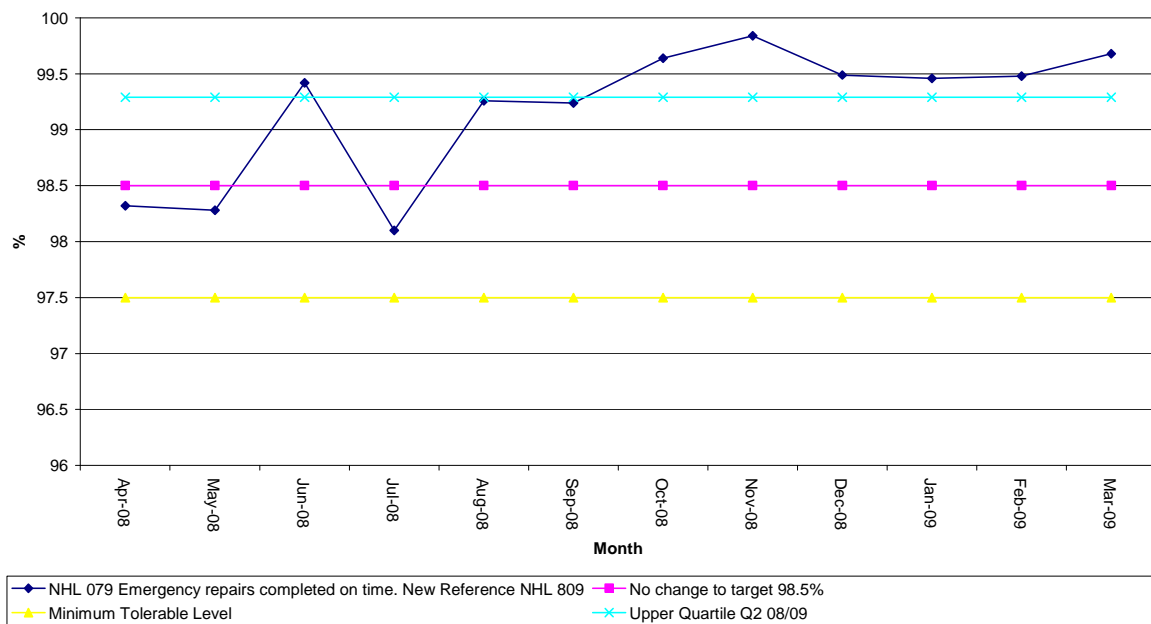
**NHL803 Urgent Repairs Completed Within Government Timescales (MHL039)**



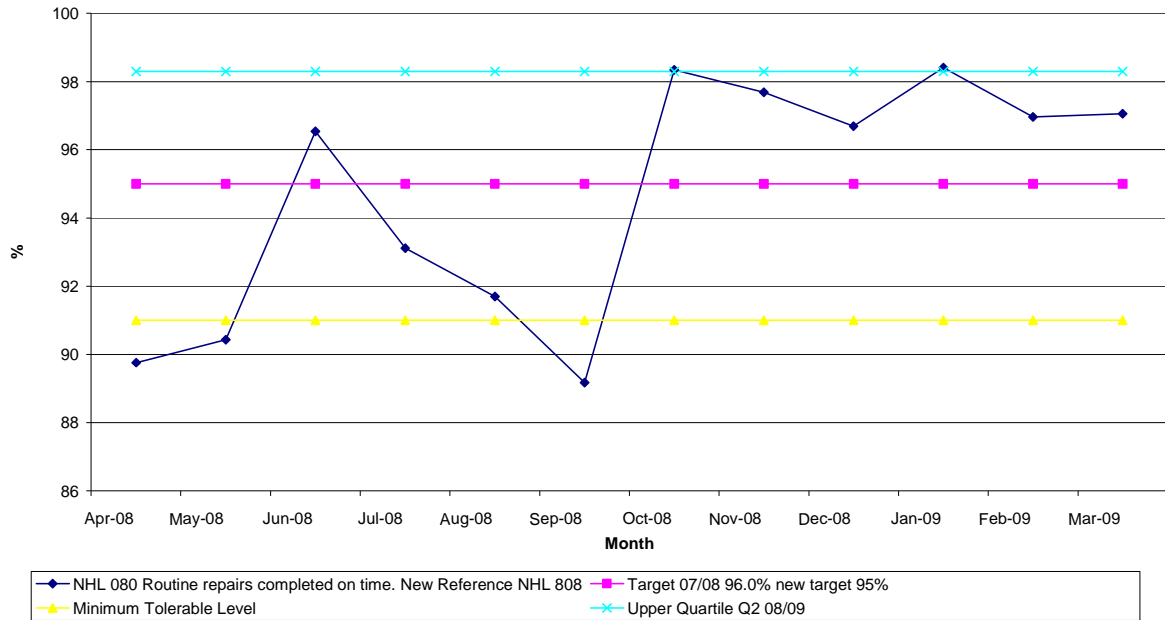
NHL804 Average Time Taken to Complete non Urgent Repairs (MHL040)



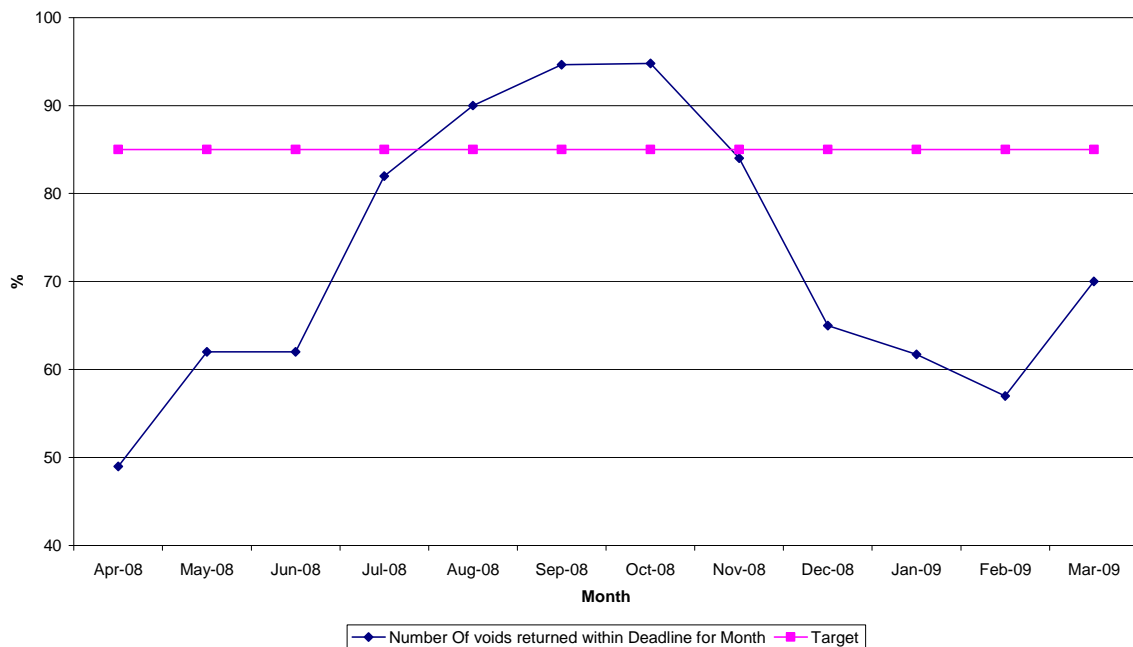
NHL 079 Emergency repairs completed on time. New Reference NHL 809



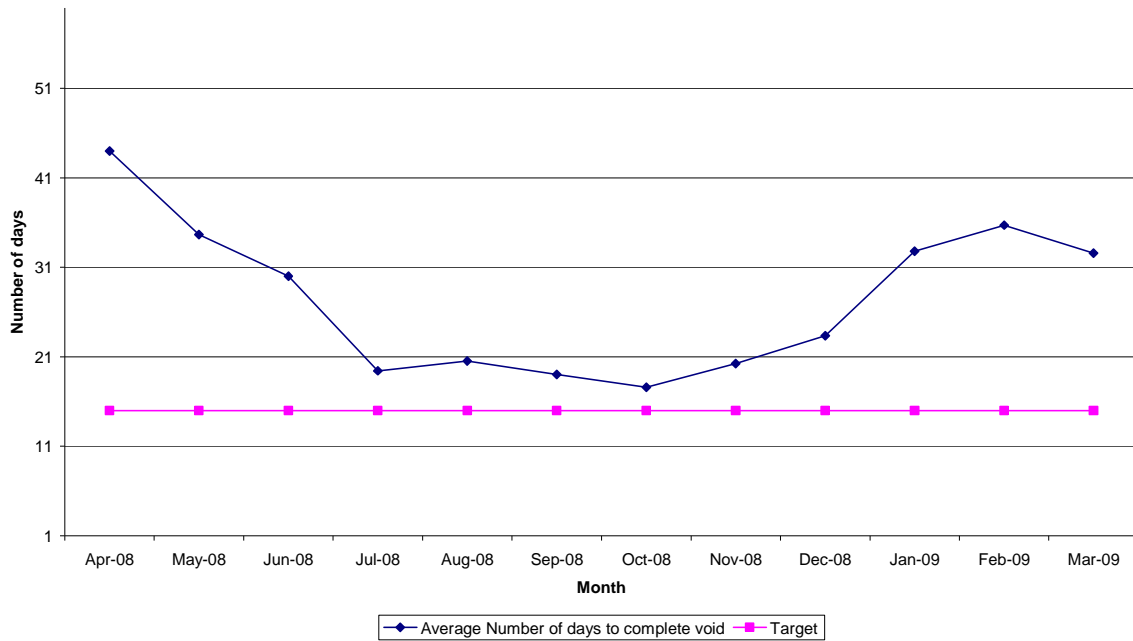
NHL 080 Routine repairs completed on time. New Reference NHL 808



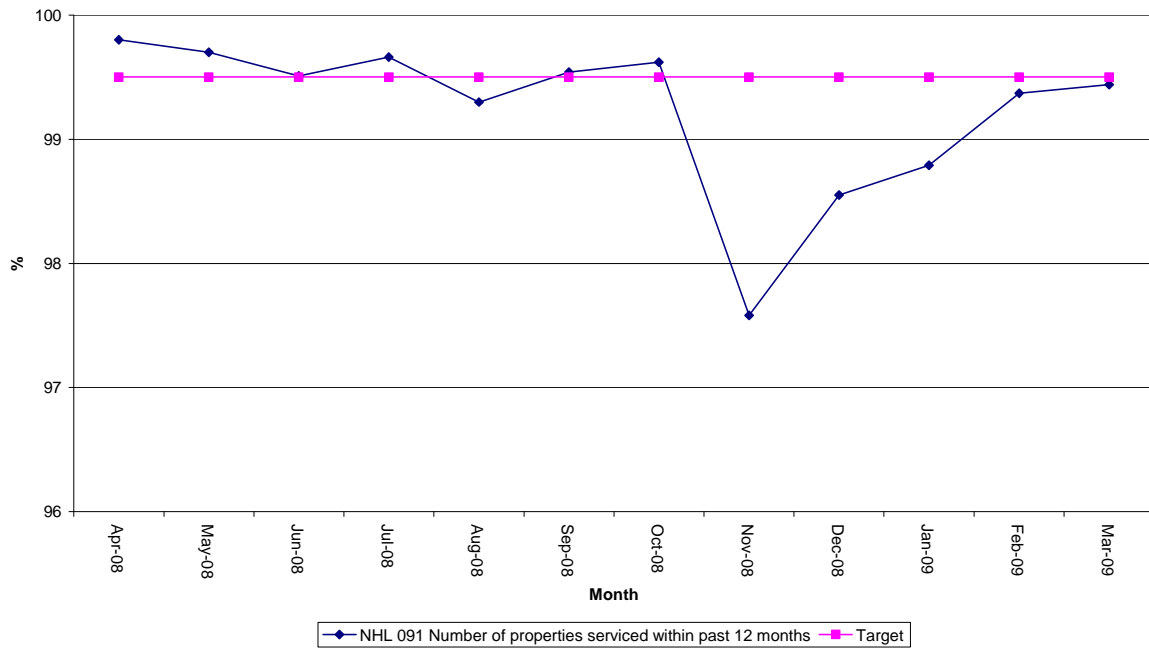
% of Voids returned on time using original deadline

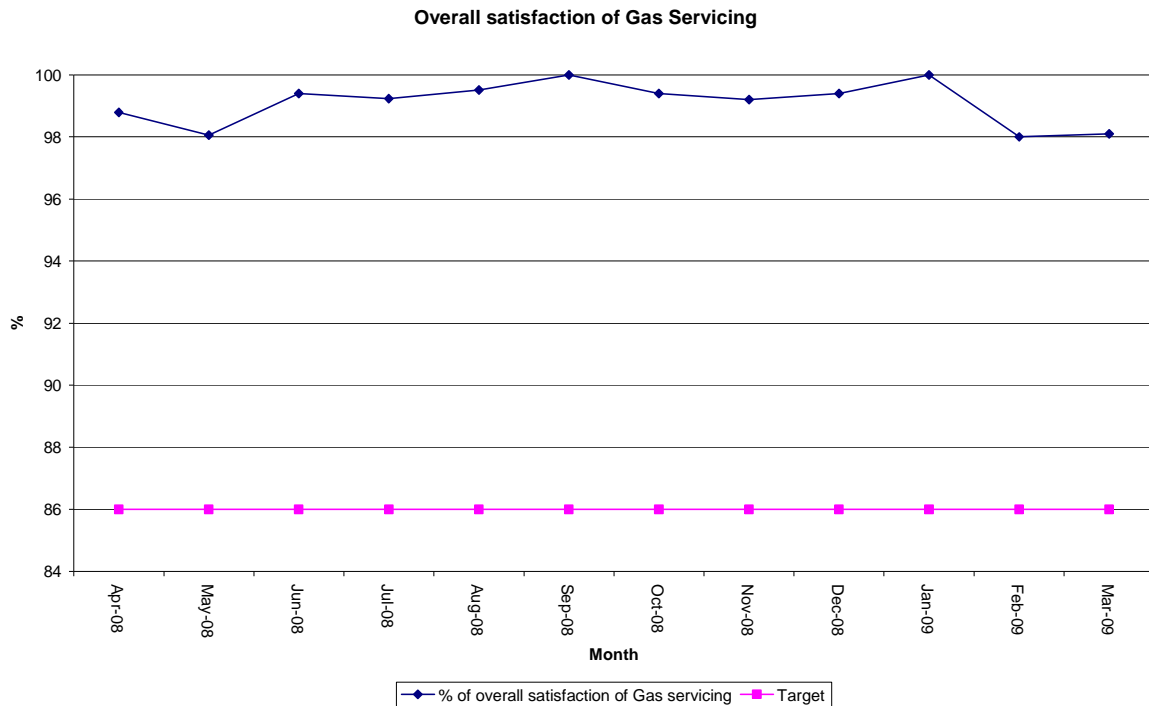


Average number of days voids

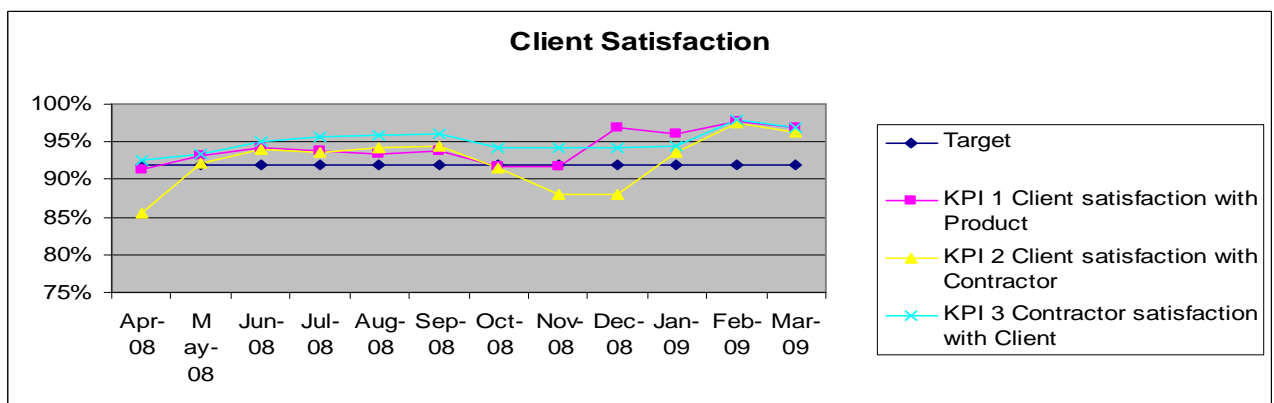


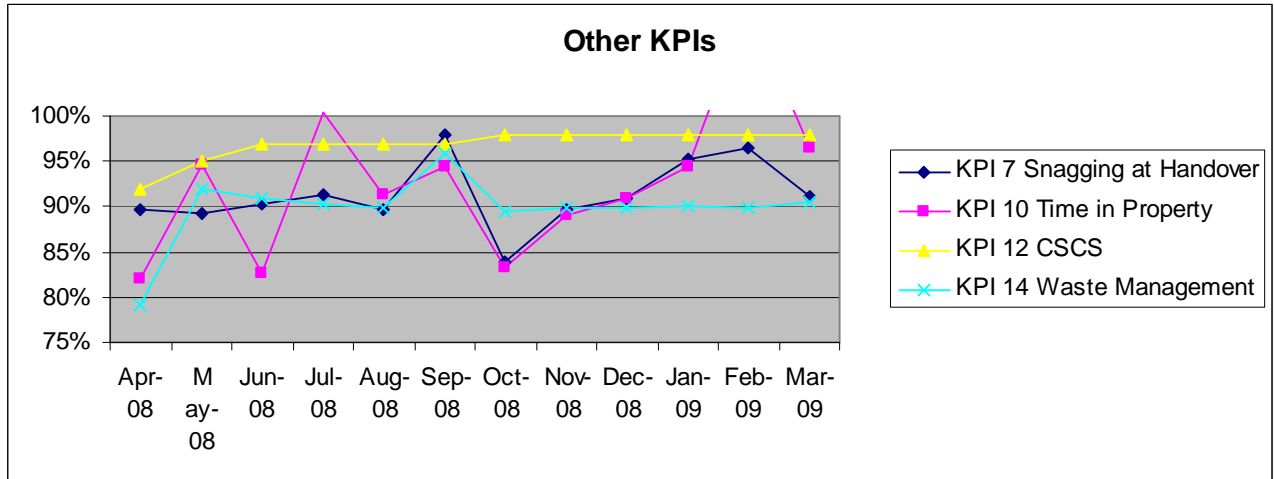
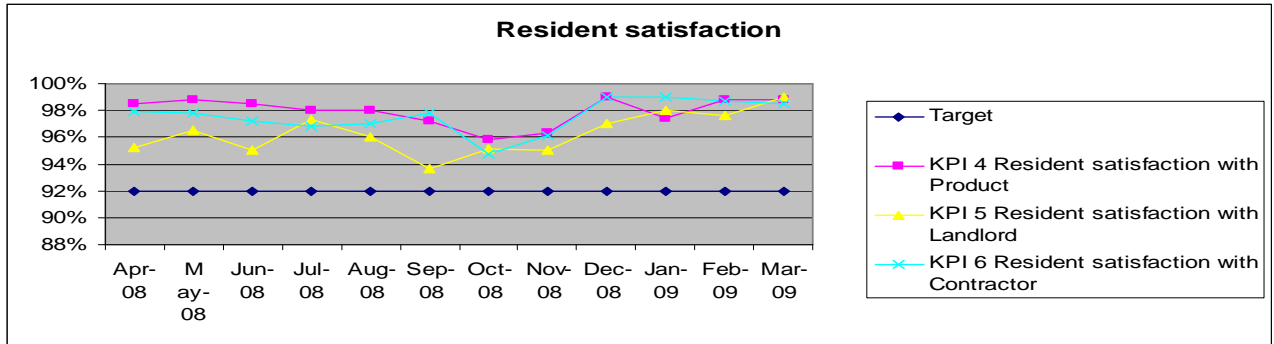
NHL 091 Number of properties gas serviced within past 12 months





### Northwards: Decent Homes





**MCC: Public Buildings**

**Jobs Completed On Time and Due Jobs Done**

