

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2516

Title: Estate Management Contract

Executive Summary:

The Estate Management contract for the GLA Land & Property (GLAP) portfolio ends in March 2020 and this MD seeks approval to award a new contract following the retendering exercise undertaken earlier this year. The retendering of the contract has been undertaken in compliance with the Public Contracts Regulations 2015 and in accordance with the GLA's Contracts and Funding Code. The existing contract allows the GLA to terminate the existing supplier upon three months written notice.

Approval is being sought at this stage, and not earlier, because a tender exercise was necessary to establish the level of expenditure required.

Decision:

That the Mayor:

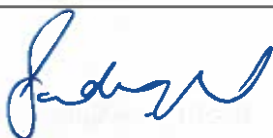
Approves the expenditure of up to £3.75m, for estate management services to be provided by Avison Young for the GLA Land & Property Ltd portfolio for up to a five-year period beginning in March 2020.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

25/11/19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. The current Estate Management contract for the GLA Land & Property Ltd (GLAP) portfolio was awarded in 2015 (approved under MD1448) with the contract period reaching its end in March 2019, with an option to extend until March 2020. The extension option was triggered and during this period the retendering of the contract has been undertaken in compliance with the Public Contracts Regulations 2015 in accordance with the GLA's Contracts and Funding Code, with support from Transport for London (TfL) Procurement. The existing contract allows the GLA to terminate the existing supplier upon three months' written notice.
- 1.2. The GLA's estates management function is responsible for managing a portfolio of circa 635 hectares of land and properties across London, with the main assets situated in the Royal Docks, Greenwich Peninsula and Barking & Dagenham. The portfolio is diverse and comprises development land together with office, industrial, retail, residential and other specialist properties including parks, training centres, leisure and community premises.
- 1.3. The key services to be provided under the estate management contract include:
 - rent collection and payment;
 - service charge collection and management;
 - landlord and tenant matters;
 - security;
 - landscaping and grounds maintenance;
 - facilities management services (not to City Hall, Trafalgar Square or Parliament Square);
 - income generation via short term licences;
 - minor capital and revenue works;
 - health and safety site visits;
 - potential for rent reviews and lease renewals; and
 - acting as the GLA's representative as required.
- 1.4. The current scope of works was reviewed in July 2018 to identify possible synergies across the existing contractual arrangements within other public bodies in the GLA family. TfL Procurement assessed whether the GLA could work with the Metropolitan Police Service, London Fire Brigade and the London Legacy Development Corporation (LLDC) on their property management contracts. The Metropolitan Police Service and London Fire Brigade both advised that they had recently let contracts for the management of their property estates and therefore would not be able to participate in this procurement exercise. These contracts were very specific to the management of their estates (not frameworks) therefore we were unable to utilise these contracts to meet the GLA's estate and land management requirements.
- 1.5. The LLDC initially expressed an interest to join this procurement competition due in part to aggregation of spends to entice potential bidders due to the lower value of their contract (circa £130,000 per annum). However, due to incompatible procurement timings, the LLDC Procurement Team was unable to commit to the process.
- 1.6. The long-term aspiration is to review the current arrangements with other GLA family public bodies to establish whether collaboration on estate management contracts would be possible in the future.

- 1.7. Since September 2017, the management of the GLA estate has been administered by TfL under a shared service arrangement. Consideration was given to dealing with this contract in-house by TfL, but the day-to-day management of the GLA estate requires a diverse skill set which TfL cannot currently provide. The TfL Commercial Development portfolio differs significantly from the GLA portfolio. The TfL portfolio mainly comprises let buildings in and around transport hubs and stations whereas the GLA portfolio is more diverse with a significant amount of development land in regeneration areas, two public parks and more external common areas such as roads, landscaping and drainage to manage. This difference between the estates results in a different skill set being required to manage the GLA portfolio which could not be met by TfL.
- 1.8. The continued use of a single contract for core estate management services gives a one-stop-shop service for GLAP and its tenants. Coupled with back-office efficiencies, this should result in continued improved service levels as well as cost benefits.
- 1.9. TfL Procurement do not have a property management framework to go to for tendering purposes and the most suitable framework was the Crown Commercial Services framework which the GLA are able to use as a public body. Organisations from the Crown Commercial Services framework Lot 1 (National) and Lot 2C (London and South East) (16 in total) were approached in October 2018 as part of an early marketing engagement, and initially 14 out of 16 suppliers expressed an interest in tendering for the contract.
- 1.10. During the tendering process, as more details emerged regarding the portfolio and the work involved, several organisations withdrew their interest for a variety of reasons including lack of adequate resources or lack of experience in managing the type of properties involved. When required, four companies submitted a response to the tender.
- 1.11. This decision form seeks approval for the expenditure of up to £3.75m over five years for the estates management services to be provided by the successful bidder, Avison Young, who are the incumbent provider and have a good understanding of the portfolio. The tender was assessed on 60% of the score weighted to Technical and 40% weighted to Price. A further breakdown of this expenditure and how Avison Young compared with other bidders from a technical and cost basis is included within Part 2 of this report.

2. Objectives and expected outcomes

- 2.1. By putting this contract in place, the GLA will continue the efficient management of its property portfolio with a priority being the health & safety management of the sites and compliance with applicable legislation and regulations.
- 2.2. The tender exercise has resulted in the estate management contract demonstrating value for money and the fees for this contract are covered in Part 2.
- 2.3. The contract period for the provision of estate management services is three years, with full services commencing in March 2020 (allowing a three-month mobilisation period prior to this), with an option to extend up to a further two years.
- 2.4. The opportunity will be taken with the preferred supplier, Avison Young, to develop and implement further opportunities to improve value for money over the contract period. This will relate to income and expenditure, as well as enhancing service levels (to which a very robust set of Key Performance Indicators (KPIs) in comparison to previous years has been negotiated between the parties). Service improvements are expected as a result.
- 2.5. As part of the new contract an improved Service Level Agreement (SLA) and KPIs have been included and Avison Young will report on their performance against the KPIs every three months.

- 2.6. There is also a retention and bonus mechanism in the new contract to encourage good performance, which is detailed further in Part 2 of this report. The new contract is also terminable for any reason on giving 60 days' notice.
- 2.7. The National Sports Centre at Crystal Palace is not included within the estate management contract. This is dealt with under a separate contract by a specialist sports operator (Greenwich Leisure Limited) who are also managed by the estates team.

3. Equality comments

- 3.1. Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status (all except the last being "relevant" protected characteristics).
- 3.2. The GLA's statutory equality duties under the 2010 Equality Act, alongside the Mayor's Inclusive London strategy was considered and there are no groups with protected characteristics which would be significantly impacted more than others, or face barriers or unequal outcomes relevant to this contract and the services being provided through it.
- 3.3. The services that are provided under the proposed contract will not significantly impact any one group more than any other group. The services relate to standard property management services being provided by an RICS (Royal Institution of Chartered Surveyors) accredited firm and thereby to professional industry standards.
- 3.4. A minimum of the London Living Wage will be payable to all members of staff directly employed by the preferred supplier or their nominated sub-contractors employed on this contract.

4. Other considerations

Risk Management Issues

- 4.1. The GLAP portfolio varies considerably but in terms of estate management services, there is a heavy focus on the provision of facilities management services e.g. security, minor repairs and maintenance, road cleaning as well as basic financial services such as payment and collection of rent and service charge. Having so many areas of requirement can become a risk due to the large amount of contractor / supplier management required. By using the services of a national service provider, economies of scale can be achieved (whilst also using Small and Medium-sized Enterprises (SMEs) from the local area) and internal resources can be flexed to meet changing operational requirements whilst providing consistency of services.
- 4.2. Undertaking a procurement exercise for this contract and the possibility of contracting with a different party, can provide risks around business and services continuity. To mitigate this risk and manage the performance of the services and associated risks in non-performance of the services, the contract will include several Key Performance Indicators (KPIs) to ensure key objectives are met. These will focus on areas including:
 - health and safety;
 - collection and management of rent/service charges;
 - customer service;
 - Mayoral and public enquiries; and

- regular asset and financial summary reporting.

- 4.3. Although the KPIs manage this risk, the incumbent provider has been successful in the tender process, and as such this risk has been significantly reduced.
- 4.4. Further to the above KPIs, performance of these has further been emphasised through the implementation of a fee retention and bonus award structure based on performance. Further details of this can be found in Part 2 of the report.

Links to Mayoral Strategies and Priorities

- 4.5. The Mayor's objectives relating to the use of SME's and local businesses within the GLA's supply chain has been considered and included within this contract. As part of the contract Avison Young is required to liaise with local businesses and SMEs in the provision of the services across the GLAP portfolio ensuring that this objective is met. Avison Young is also required to ensure that their staff and sub-contractors are paid the London Living Wage.
- 4.6. There is no conflict of interests to note for any of those involved in the drafting or the clearance of this decision.

5. Financial comments

- 5.1. This decision requests approval for the expenditure of £3.75m over a period of up to five years for estate management services to be provided by Avison Young. Further financial comments and a breakdown of the expenditure are set out in Part 2.

6. Legal Comments

- 6.1. The foregoing sections of this report indicate that:
 - the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London
 - in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
 - pay due regard to the principle that there should be equality of opportunity for all people;
 - consider how the proposals will contribute towards the achievement of sustainable development in the United Kingdom; and
 - consult with appropriate bodies.
- 6.2. In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, sex, age, sexual orientation, religion) and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3. Officers have indicated in paragraph 1.1 of this report that the services in respect of which it is proposed that a contract is to be awarded to Avison Young have been procured in accordance with

the Public Contracts Regulations 2015 in accordance with the GLA's Contracts and Funding Code. Officers must ensure that appropriate contract documentation is put in place and executed by Avison Young and the GLA before the commencement of the services.

7. Planned delivery approach and next steps

7.1. The below timeline sets out the anticipated dates for the completion of the project and connected steps:

Activity	Timeline
Mayoral Decision	November 2019
Award contract and sign contract for GLA	December 2019
Start of Mobilisation	December 2019 – February 2020
Commencement of full services	March 2020

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason: To maintain confidentiality of the winning bidder until the contract is signed.

Until what date: (a date is required if deferring) until the 31 December 2019.

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - YES**ORIGINATING OFFICER DECLARATION:**

Drafting officer to
confirm the
following (✓)

Drafting officer:

Sarah Phillips has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 25 November 2019.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Bellamy

Date

25.11.19

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

25/11/2019

