

GREATER **LONDON** AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1448

Title: Estates Contracts

Executive Summary:

The Greater London Authority (GLA) inherited a number of contracts relating to the property portfolios it acquired in 2012. Two key contracts relate to the outsourced Estate Management of the portfolio and the annual Asset Revaluation Programme.

The opportunity has been taken of retendering both contracts and following a successful procurement exercise, it is proposed to put in place new contracts. The Estate management contract will cover the period 2015-18, while the Asset Revaluation contract (excluding Greenwich) will be for three financial years, commencing 2014/15.

At the same time, some smaller contracts will be absorbed into the new Estate Management contract. The Asset Revaluation contract will cover both the GLA, GLA Land & Property Limited (GLAP) and the London Legacy Development Corporation (LLDC) property portfolios.

Due to its specialised nature Greenwich Peninsula will be valued separately.

Decision:

That the Mayor:

Approves expenditure of £230,000 per year, plus fees for additional activities incurred, on the management of the GLA Land & Property Ltd (GLAP) portfolio for a period of three years from 1st April 2015 by GVA Grimley;

Approves expenditure of £253,000 for GL Hearn to undertake an annual Asset Revaluation programme of the GLA, GLAP (with the exception of Greenwich Peninsula) and London Legacy Development Corporation property portfolios (including E20) for a term of three years, starting with the 2014/15 valuation; and

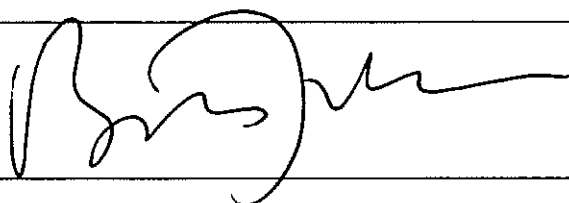
Approves expenditure of £40,000 on the appointment of JLL (previously known as Jones Lang LaSalle) to undertake the 2014-5 valuation of Greenwich Peninsula.

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:

10.3.2015

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

Decision required – supporting report

1. Introduction and background

- 1.1 The GLA inherited a number of contracts when it acquired the property portfolios of London Development Agency, London Thames Gateway Development Corporation and Homes and Communities Agency (London) in 2012. Two key areas of activity were outsourced Estate Management and the annual Asset Revaluation programme. Each organisation had its own arrangements in place at the time of transfer.
- 1.2 During the interim period, the opportunity has been taken of streamlining contract suppliers where appropriate and as a result of contracts reaching the end of their term, the opportunity has been taken to re-tender and to rationalise further the number of contracts.
- 1.3 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 licenses
 - Minor capital and revenue works
 - Site visits
 - Potential for rent reviews and lease renewals
 - Act as the GLA's representative as required
- 1.4 In relation to the Asset Revaluation contract, as LLDC also needed to re-procure a new contract, the opportunity has been taken to procure a single valuer for both portfolios. This excludes the GLA's property interests in Greenwich Peninsula where it has been decided to retain the incumbent valuers (JLL) for 2014/15. Ongoing requirements in relation to Greenwich will be reviewed prior to the 2015/16 valuation programme
- 1.5 Details of the procurement exercises undertaken for the Estate Management contract and Asset Revaluation programme are detailed in Part 2.

2. Objectives and expected outcomes

- 2.1 By putting in place these two new contracts, the GLA will improve the management of its property portfolio, rationalise the number of contracts and achieve financial savings.
- 2.2 Both the GLA and LLDC will be able to meet statutory and operational requirements by having accurate and appropriate valuations of their property.
- 2.3 The tender exercise has resulted in the Estate Management contract achieving savings of c25% on the previous cost of providing core estate management and a proposed reduction of c30% in relation to the management of Thames Barrier Park. In both cases, service improvements will result from the new contract arrangements.
- 2.4 The annual cost of the Asset Revaluation programme will be similar to previous years in respect of the GLAP portfolio. LLDC have seen a small saving.

- 2.5 The contract period for the provision of Estate Management services is three years, commencing 1st April 2015, with an option to extend of up to a further two years
- 2.6 The opportunity will be taken to work with GVA Grimley on developing and implementing further opportunities to deliver better value for money over the contract period. This will relate to both income and expenditure, as well as enhancing service levels.
- 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.

3. Other considerations

- 3.1 Consideration has previously been given to shared service arrangements with TfL and for the potential use of the MOPAC Integrator model for the provision of estate management services. For a number of reasons, neither option was appropriate. The property portfolios across the GLA group vary considerably. In terms of London Fire Brigade and Metropolitan Police Service, these are very much focussed on operational buildings with surplus assets being made available for open market disposals. The TfL portfolio is a mix of operational property and development opportunities and the structure of the property team will evolve to reflect their new operating model, with a higher degree of focus on commercial development opportunities. The GLAP portfolio varies considerably but in terms of Estate management services, there is a heavy focus on the provision of “low level” Facilities Management services e.g. security, minor repairs and maintenance, road cleaning etc as well as basic financial services such as payment and collection of rent and service charge. By using the services of a national service provider, economies of scale can be achieved as contracts are negotiated to provide a framework for a number of major, national clients and internal resources can be flexed to meet changing operational requirements.
- 3.2 The award 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 improved service levels as well as cost benefits
- 3.3 The contract will include a number of Key Performance Indicators (KPI’s) to ensure key objectives are met. These will focus on areas including:
- Regular asset and financial summary reporting
 - Collection and management of rent/service charges
 - Health & Safety
 - Mayoral & public enquiries
 - Income generation
 - Customer satisfaction i.e. Thames Barrier Park

4. Financial comments

- 4.1 The total cost for asset valuations of up to £100,000 will be met from the existing approved revenue budget annually.
- 4.2 As the three-year valuations contract approaches its end the process will be reviewed and may be re-tendered to ensure we are achieving best value, and also to ensure continued IFRS compliance.

5. Legal comments

- 5.1 *Power to undertake the requested decision*

- 5.1.1 Section 30 of the Greater London Authority Act 1999 (“**the Act**”) entitles the GLA, after appropriate consultation, to do anything which will further the promotion within Greater London of economic development and wealth creation, social development and the improvement of the environment.
- 5.1.2 Section 34 of the Act allows the GLA, to do anything which will facilitate, or is conducive or incidental to, the exercise of any functions of the GLA.
- 5.1.3 This decision to be made is regarding the GLA’s entry into and execution of:
- (a) a contract with GVA Grimley to manage the GLA Land & Property Ltd (GLAP) portfolio for a period of three years from 1st April 2015;
 - (b) a contract with GL Hearn to undertake an annual asset revaluation programme of the GLA, GLAP (with the exception of Greenwich Peninsula) and London Legacy Development Corporation property portfolios (including E20) for a period of three years starting with the 2014/15 valuation; and
 - (c) the appointment of JLL to undertake the 2014-5 valuation of Greenwich Peninsula.

5.2 Sections 1-4 of this report demonstrate that the requested decision may be viewed as falling within the GLA’s powers to do anything which is facilitative of or conducive or incidental to the GLA’s exercise of its powers under the Greater London Authority Act 1999.

5.3 *General requirements*

- 5.3.1 Ensure that any procurement has been undertaken in accordance with the GLA’s Contracts and Funding Code and in consultation with Transport for London Procurement.
- 5.3.2 Officers must ensure that appropriate contract documentation be put in place and executed between the GLA and the successful bidders before commencement of the services under each, or immediately for ones under which services have already commenced.

6. **Equality comments**

- 6.1 A minimum of the London Living Wage will be payable to all members of staff directly employed by GVA Grimley, GL Hearn, JLL or their nominated sub-contractors, employed on these contracts.

7. **Investment & Performance Board**

- 7.1 As this proposal relates to the delivery of activity already approved by Investment & Performance Board as part of the budgetary process, it has not been specifically referred back to them. The proposal has been considered by the Housing and Investment Group.

8. **Planned delivery approach and next steps**

- 8.1 As GVA are the present incumbent for the majority of Estate Management services covered by the new contract, no major mobilisation exercise will be required. A new contract will be executed which will contain enhanced governance procedures. The new contract will come into place on the 1st April, when some other smaller contracts will be terminated.
- 8.2 While the contract with GVA will include several KPI’s from day one, the detail will be agreed within the first three months of the contract

- 8.3 Due to very tight timescales, GL Hearn have commenced work on the Asset Valuation programmes for GLA and LLDC. For 2015, JLL have been retained to value Greenwich Peninsula. Ongoing requirements for Greenwich Peninsula will be reviewed prior to the 2016 valuation exercise.

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

Malcolm Beadle has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Simon Powell has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Allen

Date

5.3.15

CHIEF OF STAFF:

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

Signature

Edmund Hill

Date

06/03/2015