

# Commercial Assets Sub-Committee

24 February 2025



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| <b>Title</b>                 | Award of short term Property Management Contract with the current managing agent and appointment of new 3 year Property Management Contract for the Investment Portfolio  |
| <b>Purpose of the report</b> | To make a decision  |
| <b>Report Author</b>         | Sian Bowen – Principal Asset Manager  |
| <b>Ward(s) Affected</b>      | All Wards   |
| <b>Exempt</b>                | No  |
| <b>Exemption Reason</b>      | N/a   |
| <b>Corporate Priority</b>    | Service Delivery and Financial Resilience   |
| <b>Recommendations</b>       | <p><b>Committee is asked to:</b></p> <ul style="list-style-type: none"> <li>• Approve the direct award of a property management contract for the investment portfolio to Cushman and Wakefield for the period 1 April 2025 to 30 September 2025 in accordance with the terms set out in this report.</li> <li>• Authorise the Group Head of Corporate Governance to enter into the short term property management contract with Cushman and Wakefield for the period 1 April 2025 to 30 September 2025</li> <li>• Approve the procurement of a new property management contract for the investment portfolio for a period of 3 years from 1 October 2025, subject to a further report being taken to Corporate Policy and Resources Committee and then Full Council seeking approval to enter into a contract with the preferred bidder.</li> </ul> |

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| <b>Reason for Recommendation</b> | The property management contract with the current incumbent expires on 31 March 2025. A direct award of a short term contract to the current incumbent for a further 6 months will allow for the continuation of the property management services of the Investment Portfolio and whilst providing sufficient time to undertake a comprehensive retender of the contract via an open tender, to ensure the most suitable managing agent is identified |
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## 1. Summary of the report

| What is the situation   | Why we want to do something   |
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| <ul style="list-style-type: none"><li>• The current managing agent has been managing the Investment portfolio for 3 years and their current contract expires on 31 March 2025.</li><li>• The properties under the current property management contract include the multi-tenanted assets at Hammersmith Grove, Porter Building, Charter Building, Thames Tower, Summit Centre, Roundwood Avenue and Elmbrook House.</li><li>• The current property management contract includes collecting and administering the service charge at each property, employing the on-site management team and undertaking all building services and compliance within the portfolio to maintain a functioning building required under the leases within the property. The original contract included rent collection, but that function is in the process of being brought in house from the March 2025 quarter day.</li><li>• The Assets team do not have the level of resource and associated capacity to manage the day to day operation of these assets. To ensure that the investment properties continue to be managed to a Grade A standard, we are seeking approval to enter into a 6-month property management contract with the current incumbent, whilst we undertake an open tender for a</li></ul> | <ul style="list-style-type: none"><li>• Provide continuity of the comprehensive quality of property management of the investment portfolio</li><li>• Competitively tender a new 3-year contract to ensure we obtain a best in class property management service for the investment portfolio.</li><li>• To ensure the selected managing agent can provide a personalised service that meets the Council's requirements, which often is not the reality when progressing with a large multi-functional organization.</li></ul> |

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| <p>new 3 year contract from 1 October 2025.</p>  |   |
| <p>This is what we want to do about it</p>   | <p>These are the next steps</p>   |
| <ul style="list-style-type: none"> <li>• Instruct Legal Services to draft a new 6-month contract with the current managing agent</li> <li>• Undertake an open tender in conjunction with Procurement for the property management of the investment portfolio.</li> <li>• It is recommended a full open tender is undertaken opposed to appointing from a procurement framework to ensure comprehensive requirements can be undertaken to the level of service required. This doesn't only mean the 'front of house' operations at each building, but also the 'back office' accountancy matters relating to preparing service charge statements, tenant apportionments and collection of actual payments and regular reporting to this Council.</li> </ul> | <ul style="list-style-type: none"> <li>• Agree a new 6-month contract with the current managing agent on similar terms to their existing contract for 6-month term from 1 April 2025, expiring 30<sup>th</sup> September 2025.</li> <li>• Complete an open tender for the property management services of our investment portfolio for a term of 3 years</li> <li>• Appoint a new managing agent with effect from 1<sup>st</sup> October 2025 and ensure a smooth handover of all service charge and tenancy matters from the outgoing to new managing agent, if the current agent is not the selected operator.</li> </ul> |

- 1.1 This report seeks approval to agree a new 6 month contract with the current managing agent and undertake a procurement exercise to find a property manager for a new 3 year contract.

## 2. Key issues

- 2.1 The current managing agent has been employed since 2022 undertaking the day to day property management of the investment portfolio. The properties included in the original contract were World Business Centre 4, Elmbrook House, Thames Tower, Hammersmith Grove, Porter Building, Charter Building, Roundwood Avenue and Summit Centre.
- 2.2 The total annual value of the current contract is approximately £420,000 per annum. The costs of contract are borne by the individual service charges on each property, which are paid for by tenants, with the exception of vacant space, when the costs are met by the Council. The current managing agent, services the contract by way of 2 full time staff at their head office, overseen by one Director, supported by their

FM and building services teams.

- 2.3 The property management contract includes administering the service charge, the employment of onsite staff teams, namely building managers and front of house, dealing with all regulatory and compliance issues, cleaning, maintenance and other building related issues. This contract ensures that the buildings are maintained to a high standard and quality expected from our tenants and ensures that the Council is not exposed to reputational damage from breaching its Landlord/tenant contractual requirements or statutory compliance.
- 2.4 Over the last 12 months, Assets have been considering the future management criteria of our investment properties to ensure it is more focused and effective. This follows significant concerns and with a former managing agent used on one of our regeneration assets. Careful consideration has been given to whether there are adequate resources internally bring the entire property management in house, to provide greater governance and provide assurance that the work is being effectively undertaken on a day-to-day basis.
- 2.5 A number of the single let, and smaller assets are now managed internally, however the Assets service does not have sufficient resource and resultant capacity to manage the large multi-let building in house. This, together with the TUPE implications of those staff employed at site, result in us concluding the multi-let buildings should continue to be managed by an external managing agent. This however will be kept under review and the new will provide for the flexibility to enable the Council to step in at any time and bring the property management in house, for any or all properties should resourcing capabilities permit.
- 2.6 As outlined above, where possible, over the last 12 months we have brought in house the property management of those properties without onsite staff and significant service charges, namely World Business Centre 4 and part of the Summit Centre. This includes dealing with any day-to-day management issues and collecting rent and has worked effectively.
- 2.7 Furthermore, building upon the collection of rent at BP (which has been collected from day 1 by the Council) and the introduction of a fully functioning Bluebox property lease management system, we will be commencing the collection of rent across the investment portfolio from the March quarter day (25<sup>th</sup> March 2025). This will enable us to ensure the effective collection of rent across the portfolio and bring greater control and resilience to the process.
- 2.8 Furthermore, we will seek to procure a new contract via an open tender which will widen the search parameters to include smaller firms who may add value and service the contract more beneficially to the Council and ensure that our comprehensive requirements are met.

### 3. Options analysis and proposal

**Option 1 – Do nothing** and let the current managing agents contract expire on 31 March 2025 potentially exposing the Council to reputational damage and placing the Council in breach of its procurement rules - *Not recommended*.

**Option 2 – Renew the contract with the current managing agent.** This would place the Council in breach of its own rules with regard to

procurement - *Not recommended.*

**Option 3 – Approve a new 6-month contract with the current managing agent and re-tender the property management contract for a further 3 years from 1 October 2025.** This will ensure continued property management of the investment portfolio whilst we secure a new 3 year contract. - *Recommended.*

#### **4. Financial management comments**

- 4.1 The contract with the current managing agent expires on 31 March 2025. The annual value of the contract is approximately £420,000 pa.
- 4.2 The costs of this contract are currently borne by our tenants through the service charge.
- 4.3 Based on the contract values and the required contract lengths, the Council's own Contract Standing Orders and the Public Contracts Regulations 2015 require us to re-tender these contracts to ensure contract compliance, to test the market and to be able to demonstrate the achievement of value for money.

#### **5. Risk management comments**

- 5.1 It is imperative that the investment properties continue to be managed by an external managing agent to ensure all compliance and legal requirements are undertaken within each building. Under the tenants' leases, we are required to run a high class building and failure to manage the buildings will result in potential legal action and significant reputational damage.
- 5.2 We are required to re-tender this contract under the Contract Standing Orders and the Public Contracts Regulations 2015 due to the monetary value of the contract. Failure to undertake this procurement would breach the Council's procurement rules

#### **6. Procurement comments**

- 6.1 The Procurement team has been involved in the procurement discussions.
- 6.2 A 6-month direct award to the existing managing agent will be entered into via the Crown Commercial Services framework RM6168.
- 6.3 A new 3-year procurement renewal will be undertaken via the Open tender route in Apr/May 25.
- 6.4 The tender exercise will comply with the Council's Contract Standing Orders and the 6-month direct award using RM6168 is a compliant route to market.

#### **7. Legal comments**

- 7.1 All contracts must comply with the Public Contracts Regulations 2015 (as amended) and the Procurement Act 2023. The Council also has a duty to deliver best value under the Local Government Act 1999
- 7.2 Legal Services will provide advice and assistance on the preparation of the short term direct award contract.

#### **8. Other considerations**

- 8.1 There are none.

#### **9. Equality and Diversity**

- 9.1 Through the tender process for the new 3 year contract, bidders will be required to demonstrate in the procurement process their capability to provide service which gives full consideration to Equality and Diversity issues.

## **10. Sustainability/Climate Change Implications**

- 10.1 Bidders will be required to demonstrate their ability to provide a service which considers climate change and other environmental sustainability factors associated with the new contracts. ESG requirements are becoming a decision maker in whether a tenant chooses to occupy a building, and this will be a key marker in the tender process.
- 10.2 The Specification will be drafted to require high levels of sustainability in the delivery of the property management service.

## **11. Timetable for implementation**

- 11.1 To complete a new contract with the existing managing agents as soon as possible and undertake the open tender process by the end of February.

## **12. Contact**

- 12.1 Coralie Holman - Head of Assets ([c.holman@spelthorne.gov.uk](mailto:c.holman@spelthorne.gov.uk))  
Sian Bowen – Principal Asset Manager ([s.bowen@spelthorne.gov.uk](mailto:s.bowen@spelthorne.gov.uk))

### **Background papers:**

There are none.

### **Appendices:**

There are none.