



<b>Meeting or Decision Maker:</b>	Cabinet Member for Finance and Council Reform
<b>Date:</b>	23 November 2022
<b>Classification:</b>	For General Release
<b>Title:</b>	One year extension of current Managing Agents contract with Avison Young to enable orderly re-procurement of Investment Property portfolio management
<b>Wards Affected:</b>	All
<b>Key Decision:</b>	Yes
<b>Financial Summary:</b>	The level of fees currently being incurred under the existing contract will continue to be payable. The total sum for this contract extension (12 months) is £838,000 including inflation. The new total contract value including the full 4 years is £4,518,000

## 1. Executive Summary

- 1.1. The existing Managing Agents appointment to Avison Young (formerly GVA) is a call off from Lot 1 of the Crown Commercial Services (CCS) RM 3816 framework known as Estates Professional Services Agreement and expired in April 2022.
- 1.2. The contact was awarded for a period of 3 years with an option to extend for a further 1 year.
- 1.3. A report was presented to CGRB in February 2022 recommending that the option be exercised which was approved and then subsequently signed off by the Executive Director for Finance subject to final Cabinet Member approval. This report seeks Cabinet Member approval for the extension to 5<sup>th</sup> April 2023 to allow the service to evaluate future delivery options and undertake any procurement required.
- 1.4. A project board has been formed to review the options available for the service. At present the favoured option is a re-procurement of services.

- 1.5. The current project timeline anticipates that a draft specification for the new contract will be ready by the end of November 2022 with which to obtain internal approvals prior to formal market engagement.

## **2. Recommendation**

- 2.1. That the Cabinet Member for Finance and Council Reform approves the award of the permissible 1 year extension to the existing contract to Avison Young, allowing for a revised contract expiry of 5<sup>th</sup> April 2023 so as to continue the existing property management services until the strategy for future delivery has been implemented.

## **3. Reasons for Decision**

- 3.1. To ensure a successful handover of the contract should Avison Young not be re-appointed to include dealing with all TUPE and outstanding financial matters.

## **4. Background, including Policy Context**

### **4.1. Current Contractor Performance**

Avison Young's performance throughout the period of the contract so far has been positive, productive and to an acceptable standard.

### **4.2. Current Options**

- Do Nothing – Contract expires, and council is left with no managing agent – significant risk to £36 million per annum income stream – Not Recommended
- Re-procure – Not sufficient time
- Short term extension whilst re-designing

### **4.3. Future Options**

- Re-procure same service
- Re-procure to changed scope
- Bring In house
- Do nothing

### **4.4. Future re-procurement**

Corporate Property together with Procurement have been tasked with running an appropriate exercise with a view to recommending the appointment of a new Managing Agent for the Investment Property portfolio in light of the imminent expiry of the existing contract with Avison Young.

- 4.5. The Project Team are likely to recommend, subject to formal Commercial Gateway Review Board (CGRB) approval, that the procurement strategy will be to conduct a competition through the new Crown Commercial Services RM6168 framework with a view to award all investment property services to one supplier for a minimum period of 4 years.
- 4.6. Consideration is being given as to the range and scope of services to be provided by the successful supplier and the likely revised base fee this may generate.
- 4.7. However, by requiring the new Agent to deliver a full suite of estate management services under a single new contract the aim is to reduce the need for further appointments which would incur additional fees as is currently the case. In overall terms we are seeking a reduction in the total amount of fees payable to the appointed Managing Agent from the current level of circa £1.1 million.
- 4.8. At the same time, the new supplier will benefit from a higher guaranteed base fee so will be able significantly increase the resources employed on the instruction and provide an improved service to the Council and the portfolio's tenants.
- 4.9. To set out Westminster's aspirations under such a new contract an extensive and detailed specification will be produced with inputs from Procurement, Finance and Corporate Property.
- 4.10. The re-procurement will potentially have TUPE implications, hence there needs to be a sufficient period of handover from Avison Young should a new supplier be appointed.
- 4.11. The subsequent recommendation and approval to award the new contract are likely to be sought by early January 2023 allowing a start date following hand-over during April.
- 4.12. The re-procurement timescales are predicated by WCC formally exercising the 1 year extension to the existing contract which will bring it to an end in April 2023.

## **5. Proposal**

- 5.1. That the terms of the current contract remain in place until April 2023.
- 5.2. It is envisaged that by the end of January 2023 the new contract will have been awarded and completed.
- 5.3. Any handover to a new supplier should have sufficient time for an orderly hand-over to take place, including dealing with potential matters surrounding TUPE and the reconciliation of finances.

## **6. Financial Implications**

- 6.1 This contract covers both General Fund and HRA investment properties. Totals spend on the Avison Young contract up to March 2022 was £3.111m. This included £2.236m core fees and

£0.875m other fees. Spend on fees has therefore averaged £1.037m per annum. The budget including HRA costs is £1.094m. This covers both the core management fee (£0.767m) and other one off fees (£0.327m). This is sufficient to meet the current costs of the contract extension (subject to discussions on inflation requirements). Extending the contract maintains the service while a procurement exercise to deliver greater value for money is undertaken.

## **7. Legal Implications**

- 7.1. The Council is seeking a contract extension of 12 months to Avison Young.
- 7.2. The current provisions in the call-off contract require the Council to provide 3 months' notice to extend the call-off contract term. Accordingly, as part of formalising the extension, the contract will also be varied to take this into account. Legal input will be provided to implement this.
- 7.3. Approval of this extension may be granted by the appropriate Cabinet Member in accordance with their Terms of Reference.

## **8. Staffing Implications**

- 8.1. None

## **9. Consultation**

- 9.1. The subject of this Report was previously considered by the Cabinet Member following the submission of a Briefing Note.

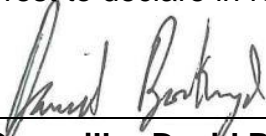
**If you have any queries about this Report or wish to inspect any of the Background papers please contact:**

*Philip Owen – [powen@westminster.gov.uk](mailto:powen@westminster.gov.uk)*

For completion by the **Cabinet Member for Finance and Council Reform**

**Declaration of Interest**

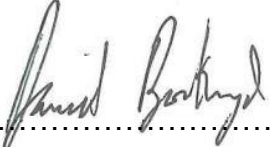
I have no interest to declare in respect of this report

Signed:  Date: 23 November 2022  
NAME: **Councillor David Boothroyd**

State nature of interest if any .....

*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendations in the report entitled **Short-term extension of current Managing Agents contract with Avison Young to enable orderly re-procurement of Investment Property portfolio management** and reject any alternative options which are referred to but not recommended.

Signed 

Councillor David Boothroyd, Cabinet Member for Finance and Council Reform

Date ...23 November 2022.....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:  
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.