

Cabinet

29 July 2025

Gateway 1 Procurement Commencement – Corporate FM Contracts

Portfolio Holders: Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration.

Councillor Zoe Van Dyke, Portfolio Holder for Business Management

Report from: Sunny Ee, Assistant Director for Regeneration

Author: Dan Stone, Head of Facilities Management & Capital Projects

Procurement Overview:

Total Contract Value (estimated):

£31,150,000 across a maximum of 12 Contracts Lots for Facilities Management (FM) Services, over a period of seven years. Approx. annual contract values of £4,450,000.

Regulated Procurement: Yes

Proposed Contract Term: Approximately 84 months (36+24+24)

Summary

This report seeks permission to commence the procurement of a suite of new Facilities Management (FM) Services Contracts, to commence on 1 April 2026, ending the current FM agreements. Medway Norse has been served with notice under a letter of intent 9 April 2025 which has been accepted. This Gateway 1 report has been approved by the Procurement Board on 16 June 2025.

The funding for this project is based on the Council spend on the Medway Norse Contract in 2025/26 and as such the report is deemed a key decision.

The political and service sensitivities are covered in the risk section of this report.

1. Recommendations

- 1.1. The Cabinet is asked to acknowledge the contents of this report and approve the recommendations, to:

- 1.1.1. pursue the procurement of specialist facilities management contractors across different service areas subject to the removal of all facilities management services from the current provider.
- 1.1.2. entrust the client lead as outlined in section 6.4.1. of the report, to finalise the quality questions initially proposed in section 7.3.2. of the report.

2. Suggested reasons for decision(s)

- 2.1. The approach outlined is considered the most suitable delivery model that meets the needs of the Medway Council estate, ensuring compliance and FM services that can be performance managed through Key Performance Indicators (KPIs).

3. Budget and policy framework

- 3.1. Council will spend circa £6.64m on the FM Contract with Medway Norse in 2025/26. Medway Norse will not deliver any FM Contract service beyond 31 March 2026 and have been served notice under a letter of intent which has been accepted.
- 3.2. Follow a review of future FM operating model and services, it is proposed that future FM services are delivered in a Hybrid Delivery Model. A hybrid delivery model offers greater cost control comprising a mixture of insourced services and directly managed outsourced services for specialist services:
 - 3.2.2 Insourcing of staff to be agreed under TUPE (Transfer of Undertakings (Protection of Employment)). TUPE is there to protect workers when their job moves to a new company.
 - 3.2.3. Contracts for specialist services across all hard & soft FM services that are not to be delivered in-house.
- 3.3. The Hybrid Delivery Model includes:
 - 3.3.1. Contracts comprising planned and preventative (PPM) maintenance, reactive services and project elements, underpinned by Key Performance Indicators within a Contract Management Framework where control of each of the FM Services will sit with Medway Council.
 - 3.3.2. The Contract management structure involves a fixed PPM component to be instructed annually, and a budget component for repairs and small projects. The Council instructs the services to be delivered, and the service provision is reviewed monthly. As such, the new FM Service Contracts can respond to changes in the operational estate during the contract period.
 - 3.3.3. The Corporate FM Contracts Project aligns to several strategies and policies including:

- Medway Procurement Strategy and Social Value Policy
- Medway 2040 Regeneration and Economic Development Strategy
- Medway Skills and Employment Plan
- Joint Local Health and Wellbeing Strategy

4. Background Information and Procurement Deliverables

4.1. Background Information:

4.1.1. This procurement exercise will allow us to appoint qualified specialist contractors within each of the specialism to deliver the specified services. The services will be underpinned with a suitable contract and KPIs, e.g. using a Joint Contracts Tribunal (JCT) minor works contract.

4.2. Procurement Deliverables:

4.2.1. As part of the successful delivery of this procurement requirement, the following project outputs / outcomes within the table below have been identified as key and will be monitored as part of the Corporate FM Maintenance & Repair Works Project delivery process.

| Outputs / Outcomes | How will success be measured? | Who will measure success of outputs/ outcomes | When will success be measured? |
|---|--|---|---|
| A procurement programme to deliver FM Services from 1 April 2026. | Delivery of an ITT process and appointment of specialist contractors | Service | Contract Award, and KPIs during contract period |
| Time/Adherence to Programme | Deviance from agreed programme | Project Team | Monthly |
| Financial Cost | Review of Tender against Outturn Cost. Year 1 budget for FM is anticipated at £6m (inclusive of in-house costs) against the current 25/26 FM Contract value of £6.64m. | Project Team | Monthly |

| | | | |
|---------|--|--------------|--|
| Quality | KPIs agreed during Contract mobilisation period. | Project Team | Continuous throughout project life cycle |
|---------|--|--------------|--|

5. Parent Company Guarantee/Performance Bond Required

- 5.1. The Council would seek a Bond or PCG for this contract. However, we would request this be waived given this contract will belikely be a JCT Minor Works contract which has a stated retention release clause.

6. Procurement Dependencies and Obligations

6.1. Project Dependency:

- 6.1.1. The Corporate FM Contracts Project is considered a project for the period through to 1 April 2026 and the successful delivery of new FM services through specialist contractors.

6.2. Statutory/Legal Obligations:

Facilities Management contracts have various legal obligations stemming from the need for compliance, adherence to contract terms, and the FM provider's duty to deliver services competently. Requirements to Adhere to legislation including:

- Health & Safety at Work Act 1974
- Workplace (Health, Safety and Welfare) Regulations 1992
- Fire Safety Act 2021 and Fire Safety Regulations (England) 2022
- Environmental Protection Act 1990
- Equality Act 2010
- Construction (Design and Management) Regulations 2015

6.3. Corporate FM Contracts Project Management:

- 6.3.1. The management of this procurement process will be the responsibility of the Category Management and FM team.

6.3.2. The main stages of the Procurement Management are as follows:

- Information on the current Medway Norse FM Contract has been requested formally, as part of a formal contract demobilisation process.
- The requirements for FM Services have been reviewed with the various Council teams, e.g. Sport & Leisure, Culture & Libraries etc.
- Specifications have been prepared, and Pricing documents will be based on the agreement of the FM Services to be delivered within the new Contracts.
- Soft market testing will take place to identify suitable suppliers.

- A suitable tender process and appointment of specialist suppliers.
- Tenders will be invited to allow us to establish the order of cost, programme, and quality.
- Compile contract terms and conditions, seek approval and let the tender.
- Let the contract and conduct a mobilisation process.
- Completion of the Corporate FM Contracts Project with services to commence on 1 April 2026.

6.4. Post Procurement Contract Management:

6.4.1. The management of the new suite of FM contracts will be the responsibility of the FM Contracts Manager under the direction of the Head of FM & Capital Projects.

6.4.2. To ensure the needs of the requirement are met and continuously fulfilled post award, the following key performance indicators (KPIs) that support the delivery of the project outcomes as outlined in 4.2.1 will be included in the tender and will form part of any subsequent contract.

| Title | Short Description | %/measurement criteria |
|----------------------|---|--|
| Contract | Time/Programme | Monthly Meetings |
| Contract Risk | Known /unforeseen risk affecting the project | RAG rated Risk Register |
| Contract Performance | Cost | Monthly Meetings and Budget monitoring |
| Contract Delivery | Indicative KPIs included in ITT and will be confirmed during mobilisation | Within contract award |

6.4.3. The KPIs as denoted within paragraph 6.4.2 will be monitored monthly. The KPIs include service deductions for non-performance which will be reviewed during the mobilisation process.

6.5. Market Conditions and Procurement Approach

6.6. Market Conditions:

6.6.1. The Corporate FM Contracts Project is considered a good opportunity that should attract a range of specialist contractors to bid for the works. There are contractors across Kent, the South-East and further afield capable of carrying out the specified FM services.

6.7. Procurement Options:

The following is a detailed list of options considered and analysed for this report:

- 6.7.1. **Option 1 – Do nothing:** Do Nothing is not considered a viable option as the proposed hybrid approach provides a greater level of control and testing of the market to achieve best value for money.
- 6.7.2. **Option 2 – Utilise a framework to meet the need:** Frameworks are an option that have been explored; however, the specialist nature of the works and contract values would be attractive to specialist SMEs. Frameworks will limit competition (as many suitable suppliers are not directly on Frameworks and do not have the resources to be on a Framework) leading to an increase in costs, due to potential subcontracting arrangements.
- 6.7.3. **Option 3 – Open market procurement:** Would be the preferred route to market as opens to the whole market. The project would be aimed at specialist contractors. This will maximise the returns giving us choice in placing the contractor with the most suitable contractor to deliver each of the specified services, however, this does not preclude a larger supplier from tendering in the procurement exercises.

Option 3 is the preferred option

The table on the next page sets out the detailed advantages and disadvantages of option 2 and 3 from a procurement perspective, 3a and 3b being variations on open market procurement depending on what suits the specific contract:

| Advantages | Disadvantages |
|---|--|
| Option 2 – Framework | |
| <ul style="list-style-type: none"> • Quicker route to market initially. • Consistency in procurement approach • A framework ensures that only vetted and reliable suppliers are selected | <ul style="list-style-type: none"> • This ‘standardised’ approach may not be suitable for specialist contracts, and lead to subcontracting arrangements, increasing cost. • Longer term relationship with framework suppliers can lead to complacency, reducing the incentive for suppliers |
| Option 3A – Procurement Act 2023: Competitive Flexible Procedure (CFP) | |
| <ul style="list-style-type: none"> • The CFP is non-prescriptive, and the contracting authority must ensure that the chosen procedure is a proportionate means of awarding a public contract, having regard to the nature, complexity and cost of the contract. • If there is an expectation that small and medium-sized enterprises (SMEs) could bid for a contract, then the process can be simplified. • A CFP provides flexibility for a contracting authority to limit the number of participating suppliers. | <ul style="list-style-type: none"> • Limited competition – the suppliers shortlisted to participate in the procedure may not ensure genuine competition. • There is a risk of perceived bias or actual bias • Achieving value for money is usually more likely to be achieved with adequate competition |
| Option 3B – Procurement Act 2023: Open Procedure | |
| <ul style="list-style-type: none"> • Visible to a higher percentage of the market including specialists, meaning more competitive and a better price via the new centralised Digital Platform. • Preliminary market engagement can be part of the procedure, whilst ensuring that participating suppliers are not put at an unfair advantage • This process promotes fairness and equal opportunity for all suppliers, ensuring an unbiased approach | <ul style="list-style-type: none"> • Risk that sheer volume of returns may increase officer evaluation time • Risk of lower quality submissions • There can be an overemphasis on the lowest price at the expense of quality and other important considerations |

7. Procurement Process Proposed

7.1.1. The preferred option is the new PCT 2015: Open Procurement procedure, as officers feel that we would get a broader, more competitive response to deliver within a tight timescale.

7.1.2. It is recommended that the overall contract length be seven years with breaks at Year 3 and 5 (a 3+2+2) arrangement.

7.2. Contractual synergies:

7.2.1. As we move from the existing delivery model to a Hybrid Delivery Model, it is not proposed to align the new FM suite of contracts with other contracts with similar contractual arrangements. However, as the specialist contractor model via single FM service is implemented in years 1-3, there can be an opportunity to combine FM services in the future with other contracts such as Housing, and the future regional authority landscape following the implementation of the Local Government Reforms. At present, the complexity of demobilising the existing contract coupled with implementation of up to 12 new FM services contracts within the next 11 months, is best delivered through the deliver model described in 3.2.

7.3. Evaluation Criteria:

7.3.1. It is proposed that this be a 55/40//5 Price/Quality/Social Value split therefore allowing us to set a number of quality questions around the skills, experience, knowledge and FM delivery process across a varied Council estate and eliminating contractors not suitable or experienced in this type of work, without a track record of success.

7.3.2. Whilst not finalised at this stage, officers propose to evaluate bidders against the following quality criteria within the tender.

| Question Criteria | Weighting (40%) | Purpose |
|---|------------------------|--|
| Case Studies / References (within last 5 years) | Pass/Fail | To demonstrate experience of working to deliver FM Services across a variety of different buildings across a Council estate. |
| Service Delivery & Resource Management | 12% | How the services will be delivered relating to planning, resourcing, execution & challenges. |
| Performance Management | 12% | How ownership & accountability in the management of the contract will be demonstrated |
| Quality Control and Health & Safety | 10% | How services are delivered to a high standard complying with current legislation |
| Mobilisation | 6% | Proposed mobilisation and resourcing plan |

8. Risk Management

8.1. The following table highlights the key risks and actions to avoid or mitigate the risk.

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|---|---|--|--------------------|
| Delays to the programme | Unsuccessful appointment of contractors for 1 April 2026 | Phases of work and key dates are profiled for the overall programme. Flexible end date with the current provider | BII |
| Lack of clarity in the requirements of the FM Contracts | Engagement of Services, to confirm the division of tasks and scope of the FM contract requirements | Ensuring all partners and contractors understand the brief. | CII |
| Works delivered on time to brief | Time constraints and volume of contracts will need to be programme managed to ensure timely delivery. | Schedule of Contracts Lots to be developed for the procurement period. | BIII |
| Demobilisation of current Contract | Data and information required from current contract is required to support ITT packs of new contracts. | Formal Request for Information has been submitted to Medway Norse for records/data. | BII |
| Procurement and governance delay works | Our procurement and governance procedures could cause delays to the programme as alignment of key milestones is critical. | Maintain an active oversight via programme plans with PMO support flagging at early stages where milestones are at risk. | BII |
| New procurement System implementation | A new system goes live at Medway Council on 1 October 2025, and the scheduling of ITT has been outlined | Programme to be based on go-live of contracts in early October 2025. | BII |
| TUPE of Medway Norse Staff | TUPE of Medway Norse Staff to either the Council or Contractors, subject to the HR information provided by Medway Norse | TUPE to be a key item of the project meetings to progress the new operating model. It is the intention of the Council to protect existing staff, Medway Norse and Medway Council, and avoid as far as possible any redundancies. | All |

9. Consultation

9.1. The new proposed FM Hybrid delivery model has been reviewed with Service Heads, Directors and Senior Management Staff. Further consultation has been carried out with:

- Cllr Curry, Portfolio Holder for Climate Change and Strategic Regeneration.
- Cllr Van Dyke, Portfolio Holder for Housing and Property.

9.2. Service Implications:

9.2.1 The requirements for FM Services have been reviewed with the various Council teams, e.g. Sport & Leisure, Culture & Libraries etc.

9.3 Financial Implications:

9.3.1 The total budget for the Year 1 of the new FM delivery model is anticipated at £6m against the current 25/26 FM Contract value of £6.64m. This will support the transition to a new delivery model and implementation of the delivery of the new contracts.

9.4. Legal Implications:

9.4.1 This procurement activity will be above works threshold and therefore a tender notice will be required.

9.4.2. The procedure gives a high degree of confidence that the Council's primary objectives for procurement are met, as required by Rule 2.2 of the Council's Contract Procedure Rules ("the CPRs").

9.4.3. Under the Council's Contract Procedure Rules, the procurement is a Process 3 procurement (Rule 18), and the process set out in this report meets the requirements for such procurements. The procurement was advertised on the Kent Business Portal, in compliance with rule 18.4 of the CPRs.

9.4.4. Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions.

9.4.5. The process described in this report complies with the Procurement Act 2023 and Medway Council's Contract Procedure Rules.

9.4.6. This report has been presented as a high risk / key decision procurement, and therefore the Monitoring Officer, in consultation with the Procurement Board will therefore set the risk and reporting stages for the remainder of the procurement process.

9.5 TUPE Implications:

9.5.1. There are potential TUPE implications from the current provider, Medway Norse to the providers in the Hybrid model and the potential TUPE Transfer of

Medway Norse staff to some of the new specialist contracts. It is the intention of the Council to protect existing staff, Medway Norse and Medway Council, and avoid as far as possible any redundancies.

9.6 Procurement Implications:

9.6.1. As per the Contract Procedure Rules: 'All requirements above £25,000.00 must be advertised on the Kent Business Portal and over £25,000.00 on the governments Central Platform.

9.6.2 The threshold value for maintenance & works (£500,000 inclusive of VAT), will be exceeded. Therefore, Category Management have agreed with the service area in light of the requirements, that an Open Tender Process would be the best option.

9.7. ICT Implications:

9.7.1 FM systems to be incorporated as part of the move from the contract with Medway Norse to the Hybrid approach. A systems strategy will be put in place to support this.

9.8. Climate Change implications:

9.8.1. The new approach will support Medway's commitment to climate change.

10. Social, Economic & Environmental Considerations

10.1. In line with Medway Council's Social Value Policy, officers will include the following standard outcomes and measures (the units have also been included for illustrative purposes) within the tender. Whilst there will be no commitment for bidders to deliver against every line, the accumulative value provided by each bidder will be scored and form part of the price evaluation score.

10.2. The Social Value commitment from the winning bidder will be transposed into contractual KPIs.

| Outcomes | Measures | Standard Units |
|---------------------------------|--|----------------|
| More local people in employment | No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter | No. people FTE |
| More local people in employment | Percentage of local employees (FTE) on contract | % |

| | | |
|---|---|---------------------------------|
| Improved skills | No. of staff hours spent on local school and college visits e.g. delivering careers talks, curriculum support, literacy support, safety talks (including preparation time) | No. staff hours |
| Improved skills | No. of weeks of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or 4+ | No. weeks |
| More opportunities for local MSMEs (Micro-, small and medium-sized enterprises) and VCSEs (Voluntary, community and social enterprises) | Total amount (£) spent in LOCAL supply chain through the contract | £ |
| More opportunities for local MSMEs and VCSEs | Meet the buyer' events held to highlight local supply chain opportunities | £ invested including staff time |
| Social Value embedded in the supply chain | Percentage of contracts with the supply chain on which Social Value commitments, measurement and monitoring are required | % |
| Creating a healthier community | Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children | £ invested including staff time |
| Carbon emissions are reduced | Savings in CO2 emissions on contract achieved through de-carbonisation (specify how these are to be achieved) | Tonnes CO2e |
| Sustainable Procurement is promoted | Percentage of procurement contracts that includes sustainable procurement commitments or other relevant requirements and certifications (e.g. to use local produce, reduce food waste, and keep resources in circulation longer.) | % of contracts |

| | | |
|---|--|---|
| Social innovation to create local skills and employment | Innovative measures to promote local skills and employment to be delivered on the contract - these could be e.g. co-designed with stakeholders or communities, or aiming at delivering benefits while minimising carbon footprint from initiatives, etc. | £ invested - including staff time and materials, equipment or other resources |
|---|--|---|

Lead Officer Contact

Name: Dan Stone
 Title: Head of FM & Capital Projects
 Department: Facilities Management & Capital Projects
 Email: daniel.stone@medway.gov.uk

Appendices

None

Background Papers

None