



Gateway 3 Contract Award: Corporate FM Contracts – Heating and Ventilation Services

Procurement Overview

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|----------------------------|--|
| Total Contract Value: | Up to £340,000 (per annum), £2.380m maximum over 7-year term |
| Project Budget: | £342,000 (per annum) £2.394m (maximum over 7 year term) |
| Contract Term: | 3 years with possible extension of 2 years and 2 years – a maximum total of 7 years |
| Contract Start Date: | 01/04/2026 |
| Initial Contract End Date: | 31/03/2029 |
| Extension End Date: | 31/03/2033 |

1. Recommendations are set out in the cover report
2. Background Information
 - 2.1 Budget & Policy Framework
 - 2.1.1. Medway 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.
 - 2.1.2. Following a review of future FM operating model and services, future FM services delivered in a Hybrid Delivery Model was approved in the July 2025 Cabinet. The hybrid delivery model offers greater cost control comprising a mixture of insourced services.
 - 2.2. Background Information and Procurement Deliverables
 - 2.2.1. The procurement exercise has allowed the Council 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 or our standard Terms & Conditions for Goods & Services.

2.3. Parent Company Guarantee/Performance Bond Required

2.3.1. A waiver against any issuance of a company Bond as well as a Parent company Guarantee on this project was approved at GW1 stage.

3. Procurement Process

3.1. Procurement Process Undertaken

3.1.1. As per the signed Gateway 1 report a competitive procurement exercise was undertaken with an open single stage procedure. This was ultimately successful as we had a competitive tender with 10 bids received of which 8 were fully compliant submissions. The tender period ran from 3/10/2025-7/11/2025 for 5 weeks.

3.2. Evaluation Criteria Used

3.2.1. A cost / quality / social value ratio of 50/45/5 was used to ensure that the quality requirements of each deliverable will be met. With a focus on quality, the procurement exercise has focused on ensuring contractors in the market can meet the key performance indicator of quality of works.

3.3. Contract Management

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

3.3.2. To ensure the needs of the requirement are met and continuously fulfilled post award, the following contract management actions will support the delivery of the project outcomes 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 |

3.3.3. A set of indicative KPIs were included in the tender documentation and will be monitored monthly during the contract period.

3.3.4. The KPIs include service deductions for non-performance which will be reviewed during the mobilisation process.

4. Risk Management

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|---|--|--------------------|
| Demobilisation of current Total Facilities Management (TFM) Contract | Data and information required from current contract to inform the mobilisation of the new contracts. | Formal Request for Information will be submitted to Medway Norse for 2025/26 records and data. | BII |
| Procurement and governance delay works | Governance procedures could cause delays to mobilisation if new contracts are not awarded. | Critical Path in place for tasks the next 6 months. Active oversight via programme plans with PMO support. | BII |
| TUPE of Medway Norse Staff | TUPE of Medway Norse Staff to either the Council or Contractors, as per the HR information provided by Medway Norse | TUPE to be a key item of the mobilisation meetings with new Contractors, esp. Cleaning and Security. | All |
| Mobilisation of new contracts in February & March 2026 | 10 new contractors will be mobilising in the 8 weeks to 1 April 2026, with co-ordination between Medway FM Team and stakeholders. | Additional resources being recruited into the FM Team | BII |

| Likelihood | Impact: |
|---|--|
| A Very likely B Likely C Unlikely D Rare | I Catastrophic II Major III Moderate IV Minor |

5. Service Implications

5.1. A new structure for the FM & Capital Projects Service will be implemented alongside the award of contracts, with recruitment to a number of new approved roles within the team. The team will be responsible for:

- an insourced team of FM staff based at Gun Wharf; and
- the Contract Management of a series of new FM Service contracts, each delivered by a specialist contractor, and managed by a series of agreed Key Performance Indicators.

6. Financial Implications

- 6.1. The Corporate FM contracts are a suite of 10 Specialist contracts, which will be managed in house by our FM team, which are to commence on the 1 April 2026. The new Facilities Management delivery model will be provided within the agreed sum of £6Million as per the 2026/27 draft budget build.

7. Legal Implications

- 7.1. This procurement activity was below the Find a Tender Service (FTS) threshold works, so standstill will not apply.
- 7.2. 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").
- 7.3. 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.
- 7.4. 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.
- 7.5. The process described in this report complies with the Public Contracts Regulations 2015, the Procurement Act 2023 and Medway Council's Contract Procedure Rules.
- 7.6. This report has been presented as a Process 3 medium risk 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 for Gateway 4.

8. TUPE Implications

- 8.1. TUPE of staff from Medway Norse to Medway Council for the contractual management of the Corporate FM Contracts – Heating and Ventilation Services. This forms part of a broader TUPE transfer covering Hard and Soft FM contract management, business administration, corporate caretaking, reception, and print, post, and sign shop services. In total, approximately 51 employees will transfer into Medway Council.

9. Procurement Implications

- 9.1. 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 governments Contracts Finder.
- 9.2. The FTS threshold value for works (£5.33M inclusive of VAT), which this contract is clearly was below. Therefore, Category Management have ran an open process as agreed with the service and approved at GW1 stage.
- 9.3. There was good initial interest with 42 expressions of interest, which yielded a return of 10 bid submissions of which 8 were fully compliant.

10. ICT Implications

- 10.1. Not Applicable

11. Climate Change implications

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

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Appendices

Appendix 1 – Diversity Impact Assessment
Exempt Appendix – financial analysis

Background Papers

None.