



REPORT TO THE MEETING OF CABINET – 19 JUNE 2024

PORTFOLIO: SPECIAL PROJECTS & ASSETS – CLLR T GIBSON

REPORT FROM ASSISTANT DIRECTOR ESTATES

ASSET MANAGEMENT AND PROPERTY MANAGEMENT OF KNIGHTSWICK SHOPPING CENTRE

1 PURPOSE OF REPORT

- 1.1 To highlight the options for the provision of Asset Management and Property Management services for Knightswick Shopping Centre and to seek delegated authority to officers to tender and award the Asset Management and Property Management contracts.

2 LINKS TO COUNCIL'S PRIORITIES AND OBJECTIVES

- 2.1 The Knightswick Shopping Centre is a key asset that supports the priorities of Economy and Growth (including Business Growth, Work and Prosperity, and Skills) and People (including Community, Health and Wellbeing, Vulnerable People, Young and Elderly).

3 RECOMMENDATION

- 3.1 It is proposed that Cabinet **RESOLVES**

- (1) To approve Option 1 - To competitively tender the Asset Management and Property Management of the Knightswick Shopping Centre.

If recommendation (1) above is approved, then

- (2) To delegate authority to the Assistant Director Estates, in consultation with the Section 151 Officer and the Portfolio Holder for Special Projects & Assets, to competitively tender the asset management and property management contracts in accordance with the Council's Contract Procedure Rules; and

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- (3) To delegate authority to the Assistant Director Estates, in consultation with the Section 151 Officer and the Portfolio Holder for Special Projects & Assets, to award the asset management and property management contracts upon completion of the tender process.

4 INTRODUCTION

- 4.1 The Council purchased the Knightswick Shopping Centre in 2019 and took the decision to manage the Centre on a commercial basis and at arm's length. The Council appointed Montagu Evans to act on its behalf to provide Asset Management and Property Management services. The appointment was based on two co-terminous legal contracts, one for each service.
- 4.2 The contracts have been extended to the maximum five-year term permissible and will, therefore come to an end on 31 October 2024.

5 BACKGROUND

- 5.1 The Knightswick Shopping Centre is located at the heart of Canvey Town Centre. It is located within the prime shopping area on a triangle of land bounded by Foksville Road, Furtherwick Road and the High Street. Since its opening in 1979 it has been a key location for a mix of shops and pop-up kiosks. The centre is within a 5.16-hectare site, and comprises:
- 75,077 sq ft of retail floor space
 - 28 retail units (3 currently vacant)
 - 277 car parking spaces
- 5.2 Sainsbury's is the anchor tenant occupying 54% of the Centre's floor space. Other tenants include: Costa Coffee, Peacocks, Nationwide, Coral, Card Factory, Paddy Power, Savers, Nationwide and Shoe Zone, as well as several local retailers.
- 5.3 The Asset Management and Property Management service currently provided by Montagu Evans are due to be novated to Savills. Montagu Evans are selling their business to Savills with a formal date due to be announced. The novation of the contracts that Montagu Evans has with the Council means that the whole of their Asset and Property Management service and components of their support systems which they use to process rent payments and manage service charges will be undertaken by Savills. The Council anticipates this novation to be seamless and maintain the same level of service at the same negotiated rates until the end of the contract on 31 October 2024.

6 SERVICES TO BE PROCURED

- 6.1 The Council needs to re-procure the services currently provided by Montagu Evans. This comprises two elements: (1) an Asset Management Service and (2) a Property Management Service.
- 6.2 The Asset Management Service comprises the day-to-day client management of the Knightswick Shopping Centre to include:

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- Development of a business plan for the future development of the Centre
 - Establishing ways of improving net income generation
 - Landlord & Tenant Act advice
 - New lettings
 - Agreeing leases
 - Negotiations with tenants
 - Liaison with Solicitors and other consultants as required
 - Client reporting

6.3 The Property Management Service comprises the day-to-day retail management of the Knightswick Shopping Centre including:

- Provision of a Centre Manager
- Rent and service charge collection
- Financial reporting, service charge budgeting and expenditure
- Day to day engagement with tenants, staff employment
- Cleaning, security, marketing / promotion
- Health and safety
- Maintenance and repairs
- Licences to assign/sublet and carry out alterations to premises,
- The Landlord & Tenant Act 1954 and all other relevant associated legislation and case law.

6.4 The cost of the Property Management Service is re-charged to the tenants through the service charge, which is levied as part of their leases, in addition to rents payable. Where a unit is empty, then the element of service charge which is attributable to that unit is a cost to the Council. Management of the risks associated with empty units is why the Asset Management Service is so important.

6.5 The Asset Management Service is an overhead of the ownership and operation of the Knightswick Shopping Centre and so is a cost to the Council. It is not re-chargeable to the tenant but is paid for from the rents which the Council collects from its tenants and is held by the Council within the Knightswick ring-fenced reserve.

6.6 In order to ensure a smooth transition, beyond the current contract, Officers have considered the options available to the Council and have engaged with the Portfolio Holder for Special Projects and Assets during this process.

7 PRIOR INFORMATION NOTICE

- 7.1 A soft market testing exercise has been undertaken to engage with the market and to test the appetite for the opportunity and seek market feedback. This took the form of a Prior Information Notice (PIN) that was made widely available to the sector. The contents of the PIN (Appendix 1 to this report) were agreed with the Leader, Deputy Leader, and Portfolio Holder for Special Projects and Assets in April 2024.
- 7.2 The PIN enabled the Council to test the commercial markets' capabilities of meeting the requirements of the potential tenders. This has shown interest from the market, the capability and appetite in delivering the necessary services and therefore a good level of confidence that the recommended option is deliverable. The feedback received from the PIN is set out in exempt Appendix 2.

8 OPTIONS FOR ASSET MANAGEMENT AND PROPERTY MANAGEMENT

- 8.1 The following options were considered for the delivery of the required services. Doing nothing is not a viable option as the Council must ensure effective management arrangements are in place.
- 8.2 Option 1: Tender the Asset Management and Property Management contracts. (Current position).
- 8.3 Option 2: Tender the Property Management contract and undertake the Asset Management within the Council Estates Team.
- 8.4 Option 3: Bring both Asset Management and Property Management within the Council Estates Team.
- 8.5 Option 4: Bring Property Management within the Council Estates Team. Tender the Asset Management contract.

TABLE 1: OPTIONS ANALYSIS

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
<p>1</p> <p>Outsource Asset Management & Property Management</p> <p>(Current situation)</p>	<p>Asset Management</p>	<p>£55,000 p.a.</p> <p>(£275,000 over 5 years contract term)</p>	<p>Access to specialist market expertise and knowledge</p> <p>Reponses from market engagement through the PIN has shown good market interest</p> <p>Increased resilience of service due to scale a contractor partner could bring</p> <p>Increased market insight due to contractor specialism</p>	<p>Procurement failure due to limited market interest. This is unlikely due to the positive responses to the PIN. Market interest remains strong providing a good level of competition.</p> <p>The impact of a failed procurement would result in a lack of continuity of service provision while an alternative provision could be put in place</p> <p>Maintaining effective Council/Contractor relationship</p>	<p>Net cost to the Council = £55,000 p.a.</p> <p>(£275,000 over 5 years contract term)</p> <p>This is the recommended option providing a balance of control and risk for the Council via a clear specification. Value for money demonstrated through a competitive tender process.</p>

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
	Property Management	<p>£35,000 p.a. (£175,000 over 5 years contract term)</p> <p>This cost is paid by the tenants via the service charge</p>	<p>Access to specialist market expertise and knowledge</p> <p>Dedicated specialist contract resource to manage the asset</p> <p>Increased resilience of service due to scale a contractor partner could bring</p> <p>Increased market insight due to contractor specialism</p>	<p>Procurement failure due to limited market interest. This is unlikely due to the positive responses to the PIN. Market interest remains strong providing a good level of competition.</p> <p>The impact of a failed procurement would result in a lack of continuity of service provision while an alternative provision could be put in place</p> <p>Maintaining effective Council/Contractor relationship</p>	
<p>2</p> <p>In house Asset Management</p>	Asset Management	<p>£62,940 p.a. (£47,940 based on 0.6 FTE including on costs. Plus, Agent letting fees)</p>	Direct control of the service via a new Council staff member	Failure to recruit sufficiently experienced and qualified staff to the role	<p>Net cost to the Council = £62,940 p.a. (£314,700 over 5 years contract term)</p>

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
Outsource Property Management		(£314,700 over 5 years contract term)		Lack of resilience in the service Limited wider links into the commercial market place Limited opportunity for innovation	The costs are higher than option 1 and this option would not deliver the resilience or innovation required, and would present a recruitment risk to the Council
	Property Management	£35,000 p.a. (£175,000 over 5 years contract term) This cost is paid by the tenants via the service charge	Access to specialist market expertise and knowledge Dedicated specialist contract resource to manage the asset Increased resilience of service due to scale a contractor partner could bring Increased market insight due to contractor specialism	Procurement failure due to limited market interest. This is unlikely due to the positive responses to the PIN. Market interest remains strong providing a good level of competition. The impact of a failed procurement would result in a lack of continuity of service provision while an alternative provision could be put in place	

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
				Maintaining effective Council/Contractor relationship	
3 In house Asset Management & Property Management	Asset Management	£62,940 p.a. (£47,940 based on 0.6 FTE including on costs. (Plus, Agent letting fees)	Direct control of the service via a new Council staff member	Failure to recruit sufficiently experienced and qualified staff to the role Lack of resilience in the service Limited wider links into the commercial market place Limited opportunity for innovation	Net cost to the Council = £62,940 p.a. (£314,700 over 5 years contract term) The net costs are higher than option 1. This option would also potentially result in an increased service charge This option would not deliver the resilience or innovation required, and would present a recruitment risk to the Council
	Property Management	£45,000 p.a. Includes: (£35,000 centre manager costs)	Direct control of the service via a new Council staff member	Failure to recruit sufficiently experienced and qualified staff to the role	

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
		(£10,000 p.a. ICT software licence) Plus (£40,000 for ICT software purchase) (£265,000 over 5 years contract term) ICT cost are minimum figures subject to further detailed specification This cost is paid by the tenants via the service charge		Lack of resilience in the service Limited wider links into the commercial market place Limited opportunity for innovation Potential increased service charge. New IT software would be required Increased asset liability placed with the Council	
4 Outsource Asset Management	Asset Management	£55,000 p.a.	Access to specialist market expertise and knowledge Responses from market engagement through the	Procurement failure due to limited market interest. This is unlikely due to the positive responses to the PIN. Market interest remains	Net cost to the Council = £55,000 p.a. (£275,000 over 5 years contract term)

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
In house Property Management			<p>PIN has shown good market interest</p> <p>Increased resilience of service due to scale a contractor partner could bring</p> <p>Increased market insight due to contractor specialism</p>	<p>strong providing a good level of competition.</p> <p>The impact of a failed procurement would result in a lack of continuity of service provision while an alternative provision could be put in place</p> <p>Maintaining effective Council/Contractor relationship</p>	<p>The net costs are lower than option 2 and 3. However this option would potentially result in an increased service charge</p> <p>Option would not deliver the resilience or innovation required for the Property Management Service, and would present a recruitment risk to the Council</p>
	Property Management	<p>£45,000 p.a.</p> <p>Includes:</p> <p>(£35,000 centre manager costs)</p> <p>(£10,000 p.a. ICT software licence)</p> <p>Plus</p>	Direct control of the service via a new Council staff member	<p>Failure to recruit sufficiently experienced and qualified staff to the role</p> <p>Lack of resilience in the service</p> <p>Limited wider links into the commercial market place</p>	

Option	Description	Estimated Cost (subject to tender process)	Opportunity	Risk	Conclusion and estimated costs
		(£40,000 for ICT software purchase) (£265,000 over 5 years contract term) ICT cost are minimum figures subject to further detailed specification This cost is paid by the tenants via the service charge		Limited opportunity for innovation Potential increased service charge as a result of higher management fee New IT software would be required Increased asset liability placed with the Council	

9 CONCLUSION

- 9.1 The recommended option is Option 1: To competitively tender the Asset Management and Property Management contracts.
- 9.2 This option would deliver value for money for the Council.
- 9.3 This option would also provide a balance of control and risk for the Council via a clear specification promoting the Council's priorities of Economy and Growth, People, Health and Wellbeing, Vulnerable People, Young and Elderly.
- 9.4 Finally, the recommended option would deliver service resilience and innovation through the Council procuring a contractor.

10 PROPOSED TENDER PROCESS

- 10.1 Should the recommended option be agreed by Members a tender process would be undertaken to procure the Asset Management and Property Management Services. Officers would follow the Council's Contract Procedure Rules and seek advice from the Essex Procurement Partnership during the process.
- 10.2 Based on soft market testing, it is likely that the tender will be advertised in three lots (subject to any further procurement advice from the Essex Procurement Partnership). Lot 1 would be for both the Asset Management and Property Management combined, Lot 2 would only be for Asset Management and Lot 3 would only be for Property Management. By breaking down into lots it is hoped that the opportunity becomes more attractive for smaller, more local firms who may only be interested in one element or the other, i.e., they might only wish to bid for Lot 2 or Lot 3. In assessing the tender responses, if the combined Lot 1 is better value for money than the individual lots added together then a single contract will be awarded to the winning bidder under Lot 1. If the sum of Lots 2 and 3 prove better value for money than Lot 1, then two suppliers will be awarded contracts, one under Lot 2 and one under Lot 3.
- 10.3 A five-year contract term is proposed as per industry practice.

11 CONTRACT SPECIFICATION

- 11.1 Should Option 1 be approved, the specification would include the existing Asset Management and Property Management services set out in paragraphs 6.2 and 6.3 above.
- 11.2 In addition, the specification would be enhanced to provide a more commercial, innovative and resilient approach to the services provided and to incentivise the Asset Management function to reduce the number and duration of void units. This is industry practice and the costs of which have been included within the figures mentioned above. The current specification does not provide for this incentivisation currently.

11.3 The evaluation criteria for appointment of the new contracts would be weighted 70% of the evaluation on price and 30% on quality which is common practice. The Council would set a minimum quality that must be achieved. The contract award will be based on an assessment of the best price/quality ratio tender received from the point of view of the Council demonstrating the most economically advantageous tender. Tenderers must meet certain minimum standards, which will be set as pass/fail criteria, for their submissions to be evaluated. Strong contract management throughout the life of the contract will ensure that the quality requirements are satisfied.

12 ENGAGEMENT STRATEGY

12.1 The Council will engage with tenants as part of this process via an open day to be held at the Knightswick Shopping Centre. The open day would be an opportunity for Officers to engage with tenants to ensure any previous issues and concerns can be considered as part of the tender process. The Portfolio Holder, Leader and Deputy Leader would also be included within the engagement process.

TABLE 2: PROPOSED INDICATIVE PROCUREMENT TIMETABLE

Issue invitation to Tender	27 June 2024
Deadline for submission of any questions/issues to be clarified	18 July 2024
Response to questions/issues	25 July 2024
Deadline for tender submissions	7 August 2024
Interviews	17 August 2024
Advise winning bidder(s)	27 August 2024
Award contract/inception meeting	September 2024
Contract Commencement date	1 November 2024

13 CONTRACT RELATIONSHIP MANAGEMENT

13.1 A contract relationship management process with the successful bidder(s) would be put in place to ensure service standards are maintained and effective communication is in place between the contractor(s) and the Council.

14 RISK IMPLICATIONS

14.1 The risks for each option are set out in Table 1. Should Option 1 be approved the remaining risks would be mitigated by maintaining a proactive contractor relationship. The successful bidder(s) would prepare monthly reports setting out contract performance, market conditions and progress against the business plan. Failure to appoint following a procurement process is inherent in any tender process. To mitigate soft market testing has been undertaken via a Prior Information Process and indicated good market interest.

14.2 Failure to properly manage either the Asset Management or Property Management functions could result in one or more of the following:

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- Rent and service charge not being collected.
 - Voids not being properly managed.
 - Failure to ensure effective tenant/landlord relationships.
 - Reactive and planned maintenance not being undertaken.
 - Potential insurance liabilities
 - Health and safety implications to the public and tenants
 - Appropriate security arrangements not being in place.
 - Cleaning not properly carried out.

15 CRIME AND DISORDER IMPLICATIONS

15.1 None directly linked to this report, however the provision of suitable security arrangements for the Knightswick Shopping Centre will be a requirement of the specification for the Property Management Service.

16 ENVIRONMENTAL IMPLICATIONS

16.1 None directly linked to this report.

17 FINANCIAL IMPLICATIONS

17.1 The cost of the Asset Management element is borne by the Council, with it to be funded from within the income generated by the centre, as is currently the case.

17.2 The cost of the Property Management element is borne by the tenants in the centre, with the Council covering the cost for any empty 'void' units. The costs incurred by the Council are again covered from within the income generated by the centre. Again, these arrangements are a continuation of the current situation.

18 LEGAL IMPLICATIONS

18.1 None directly arising from this report. Preferred Option 1 would be conducted in accordance with the Contract Procedure Rules set out in the Council's Constitution.

19 HUMAN RESOURCES IMPLICATIONS

19.1 These are set out in the body of the report. There are no direct HR implications for the Council related with the Recommended Option. TUPE would not apply regarding the shopping Centre Manager and other site staff are sub-contracted and paid through the service charge.

20 EQUALITY AND DIVERSITY IMPLICATIONS

20.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010.

Darren McLoughlin
Assistant Director Estates

Background Papers: -

Appendix 1: Prior Information Notice

For further information please contact Darren McLoughlin on: -

Phone: 01268 882377

Email: dmcloughlin@castlepoint.gov.uk

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Future opportunity

Professional Estate Services in respect to Knightswick Shopping Centre Management

Castle Point Borough Council

[Watch this notice](#)

F01: Prior information notice (prior information only)

Notice reference: 2024/S 000-012972

Published 22 April 2024, 2:12pm

Contents**I. Contracting authority**https://www.find-tender.service.gov.uk/Notice/012972-2024#contracting_authority-heading**II. Object**<https://www.find-tender.service.gov.uk/Notice/012972-2024#object-1>**IV. Procedure**<https://www.find-tender.service.gov.uk/Notice/012972->

Section I: Contracting authority

I.1) Name and addresses

Castle Point Borough Council
Benfleet**Contact**

Lili Roqueta

Email

Download

[PDF version](#)
(/Notice/012972-
2024/PDF)

[Report concerns about
this procurement](#)

Telephone

+44 1268882200

Country

United Kingdom

NUTS code

UKH3 - Essex

Justification for not providing organisation identifier

Not on any register

Internet address(es)

Main address

<https://www.castlepoint.gov.uk/>
(<https://www.castlepoint.gov.uk/>)

I.3) Communication

Additional information can be obtained from the
above-mentioned address

I.4) Type of the contracting authority

Regional or local authority

I.5) Main activity

General public services

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

Professional Estate Services in respect to
Knightswick Shopping Centre Management

Reference number

EPP0120

II.1.2) Main CPV code

- 70332200 - Commercial property management services

II.1.3) Type of contract

Services

II.1.4) Short description

To inform the tender documents, Castle Point Borough Council is seeking early engagement with interested suppliers able to provide Professional Estate Services in respect to the Management of the shopping centre.

Essex Procurement Partnership is managing this procurement of behalf of Castle Point Borough Council.

II.1.5) Estimated total value

Value excluding VAT: £300,000

II.1.6) Information about lots

This contract is divided into lots: No

II.2) Description**II.2.3) Place of performance*****NUTS codes***

- UKH3 - Essex

II.2.4) Description of the procurement

Knightswick Shopping Centre is a commercial portfolio which will form the asset from which potential work will arise, is in Foksville Rd, Canvey Island SS8 7AD. Knightswick Shopping Centre comprises 28 retail units, benefits from being adjacent to the towns principal car park which offers some 277 spaces. The centre has some anchors including: Sainsburys, Costa, Peacocks and Savers and other national multiples include Nationwide and Card Factory.

The Knightswick Shopping Centre is a key driver of economic development for Canvey Island providing employment for local people and a varied retail offer in the heart of Canvey Island. The Council's vision for the centre is to bring forward a business plan to ensure the asset remains commercially viable, recognising the important role it provides in the local community such as employment opportunities for local people and a varied retail offer that reflects local demand.

For more information, please visit:

<https://www.knightswickshoppingcentre.co.uk/shops-brands>
(<https://www.knightswickshoppingcentre.co.uk/shops-brands>)

To inform the tender documents, Castle Point Borough Council is seeking early engagement with interested suppliers able to provide Professional Estate Services in respect to the Management of the shopping centre.

The scope of the contract includes but is not limited to day-to-day retail management of the shopping centre, including marketing the shopping centre, tenants selection, health & safety, arranging maintenance and repair as required, rent reviews, lease renewals, implementing the restrict use policies, licences to assign/sublet and carry out alterations to premises, rent collections, service charge management, debt recovery and ensure alignment with Council objectives, the Landlord &

Tenant Act 1954, and all other relevant associated legislation and case law.

The proposed commencement date for the contract is 1st November 2024 and the contract is anticipated to last around 5 years. The total value for its duration is in the region of £300,000 (exclusive of VAT).

The procurement documents are estimated to be issued in mid-June 2024, with a closing day 30 days later.

The procurement route will be agreed following Market Engagement exercise

A questionnaire will be sent to interested suppliers for completion. Please confirm your interest via sending an email to lili.roqueta@braintree.gov.uk with cc to dmcloughlin@castlepoint.gov.uk BY 5pm on Wednesday 22 May 2024.

II.2.14) Additional information

Completed questionnaires will be due by Friday 24 May 2024.

It is anticipated, though not confirmed, that an Open Day will be held for viewing and further market engagement in early June 2024. If the Open Day is agreed, a date will be chosen in accordance with findings from the Market engagement.

II.3) Estimated date of publication of contract notice

17 June 2024

Section IV. Procedure

IV.1) Description

IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government
Procurement Agreement: Yes

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