



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Richard Keery, Investment Manager, Ext: 77398

Item 6

6th March 2019

## Independent Property Valuer Appointment

### Purpose of Report:

To conclude a tendering exercise for Independent Property Valuer.

### Recommendation:

The Committee is asked to **APPROVE** the appointment of GVA Grimley Limited as Independent Property Valuer.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

### PLEASE NOTE THE FOLLOWING:

Any Ordnance Survey mapping included within this Report is provided by Glasgow City Council under licence from the Ordnance Survey in order to fulfil its public function to make available Council-held public domain information. Persons viewing this mapping should contact Ordnance Survey Copyright for advice where they wish to licence Ordnance Survey mapping/map data for their own use. The OS web site can be found at <http://www.ordnancesurvey.co.uk> "

If accessing this Report via the Internet, please note that any mapping is for illustrative purposes only and is not true to any marked scale

## 1 Background

The Fund's investment strategy allocates 10% of total assets to UK property. The UK property portfolio is managed by DTZ, has a current value of £2,016m and comprises 54 individual properties covering the spectrum of industrial, office, retail and other sectors. Regular valuation of the property portfolio is required for performance measurement, monitoring, accounting and insurance purposes. The Fund's established practice is to appoint a professional firm of surveyors to carry out a quarterly independent valuation of all properties in the portfolio. As the current contract with GVA Grimley Limited runs to 2019 a tendering exercise was included in the 2018/19 Business Plan. Progress of the subsequent tendering exercise is summarised below.

## 2 Tendering Process

Procuring commercial services can be a costly and time consuming process for both suppliers and clients. As part of the UK government's strategy to maximise procurement efficiency and value for money, the Crown Commercial Service (CCS) has set up a series of framework agreements to provide UK public service customers with a simplified means of procuring independent property valuation services from a variety of firms of surveyors who have been awarded a place on the framework.

The CCS framework provides a streamlined and standardised route to access a comprehensive range of property valuation firms at attractive commercial terms. After review with Glasgow City Council's procurement team it was agreed to use Lot 1 of the CCS Estates Professional Services framework, which provides for public bodies which require services across a range of property and estates professional services, to conduct the tender for an independent property valuer.

## 3 Capability Assessment

The tendering exercise was initiated on 17<sup>th</sup> August 2018 when an Invitation to Mini-Competition was issued to 11 firms on Lot 1 of the CCS estates professional services framework. Suppliers were asked whether they were able to provide the type and range of services required by the Fund, and whether they were interested in bidding for the work and set up in order to meet the timelines set for the procurement. The following 11 suppliers expressed their interest in bidding.

- Arcadis LLP
- BNP Paribas Real Estate
- Capita
- Carter Jonas
- CBRE Limited
- Gerald Eve LLP
- GVA Grimley Limited
- Kier Business Services
- Lambert Smith Hampton Group
- Montagu Evans LLP
- Sanderson Wetherall LLP

## 4 Mini Competition

The 11 candidates who expressed interest in bidding to provide property valuer services to the Fund were sent a tender document on 17<sup>th</sup> August 2018. The tender document outlined a detailed scope of the services required by the Fund and requested responses to 4 qualitative questions designed to assess the expertise of each of the bidders, together with fee proposals. The bidders' commitment to fair work practices was also assessed and details of voluntary community benefits were requested. Scoring was divided as follows:

- **Quality – Project Specific** **30%**
- **Quality - Fair Work Practices** **5%**
- **Price** **65%**

Responses from the following 2 candidates were received on 14th September 2018, the deadline for submissions:

- **GVA Grimley Limited**
- **BNP Paribas Real Estate**

Officers of the Fund assessed the tender responses and allocated a score to each candidate. The Council's procurement department assessed the pricing and fair work practices submissions and allocated a score to each candidate. The final scores for each candidate were as follows:

- **GVA Grimley Limited** **97.6%**
- **BNP Paribas Real Estate** **55.1%**

## **5 Top scoring supplier: GVA Grimley Limited**

GVA is a wholly owned subsidiary of Canadian based global real estate firm Avison Young. U.K.-based, GVA is a multi-disciplinary business offering clients a service that spans the entire property life cycle from strategy and planning through to delivery and management. The firm has 1,500 employees in 15 offices in the U.K., Ireland and Poland with clients ranging from investors and developers to financial institutions and occupiers from both the public and private sectors. Currently, the UK valuation team comprises 51 directors and 185 staff across the 12 UK offices (Including Glasgow) and has a turnover in excess of £25 million p.a. Across the UK business GVA has 85 RICS Registered Valuers and each regional office has a stand-alone valuation team.

## **6 Implementation**

Appendix A sets out the scope of service required by the Fund.

Subject to conclusion of contract the appointment will be effective from 29<sup>th</sup> April 2019 and will run until 31<sup>st</sup> March 2023.

## **7 Policy and Resource Implications**

### **Resource Implications:**

*Financial:* Total cost of the contract is dependent on the number of properties in the portfolio but is expected to be in the region of £50,000 - £55,000 per annum. This is line with current fees for this service.

*Legal:* Standard call off terms are agreed with suppliers when the framework is put in place, allowing only for minor amendments by clients. These terms have already been reviewed by SPF's in-house solicitor.

*Personnel:* No issues

*Procurement:* The framework and subsequent call off process is

described in sections 3 and 4 above and was conducted in accordance with OJEU procurement rules.

**Council Strategic Plan:** Strathclyde Pension Fund aligns with the theme of a well governed city.

**Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2017-22*

Equalities issues are addressed in the Fair Work Practices assessment. GVA has an inclusion strategy and commitment to a safe working environment.

*What are the potential equality impacts as a result of this report?*

No specific impact from this proposal.

*Please highlight if the policy/proposal will help address socio economic disadvantage:*

**Sustainability Impacts:**

*Environmental:*  
I

GVA offices operate an accredited ISO 14001 (2015) environmental management system. Member of the UK Green Building Council and corporate partnership with the Woodland Trust requiring all CO2 from the energy used in offices to be offset by planting new trees.

*Social, including Article 19 opportunities:*

GVA offers youth employment initiatives including graduate and modern apprentice. Work placements covering school and university plus mentoring and work place visits.

*Economic:*

n/a

**Privacy and Data Protection impacts:**

To be provided for in the legal documentation for the proposed service.

**8 Recommendation**

The Committee is asked to **APPROVE** the appointment of GVA Grimley Limited as Independent Property Valuer.

### Scope of Service

The scope of service provided by GVA Grimley will include:

- a) To act as independent valuer to the Fund, in accordance with the guidelines prescribed by the Royal Institution of Chartered Surveyors.
- b) To provide 4 market valuations per annum (at the end of March, June, September and December), of the Fund's whole portfolio, along with a commentary report consisting of a few lines on each of the properties identifying any salient issues and providing justification for the valuation. The basis of the valuation will be Open Market Value as defined in the RICS Appraisal and Valuation Manual, as amended from time to time.
- c) The Independent Valuation will specifically require the annual inspection of each property within the Portfolio. Newly acquired properties should be inspected within 3 months of the date of their acquisition.
- d) The successful tenderer will be provided with the measured areas of the properties in the portfolio but should thereafter make measurements in accordance with the RICS Code of Measuring Practice as and when they see fit to satisfy themselves that the records of floor areas and other particulars are correct.
- e) The successful tenderer will be required to meet annually with the Fund and quarterly with its property managers. The property managers will provide source information and give updates on tenancy and portfolio information for each valuation.
- f) In addition to the regulatory requirement of an annual valuation certificate, the successful tenderer should provide a schedule detailing the current net income, the gross and net ERVs (Estimated Rental Value) both as an aggregate amount and a valuation rate, the valuation itself and the initial reversionary and equivalent yields. A full breakdown of the valuation between tenants in multi-let buildings will also be required. This content should be provided in the annual inspection report.
- g) The valuation should also be available in an electronic format using the Circle Investment Valuer system or other market standard system.
- h) Valuation and backup information will be required to be submitted to the MSCI Investment Property Databank (IPD) to meet its reporting timescales and deadlines.