



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Jacqueline Gillies, Ext: 75186

Item 6(a)

26th June 2024

UK Property Portfolio – Appointment of Legal Services Provider

Purpose of Report:

To conclude a tendering exercise for the provision of legal services for the Strathclyde Pension Fund Property Portfolio

Recommendations:

The Committee is asked to **APPROVE** the appointment of **CMS LLP** to provide legal services for the Strathclyde Pension Fund Property Portfolio.

Ward No(s):

Citywide: ✓

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

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1 Background

The Fund's investment strategy allocates 9% of total assets to UK property. The UK property portfolio is managed by DTZ, has a current value of £2,339m and comprises 58 assets covering the spectrum of industrial, office, retail and other sectors. The Fund requires an end-to-end independent legal advice service in relation to its portfolio, across a range of legal disciplines, including conveyancing, tax, construction, planning and environmental specialisms. The current provider for properties in England and Wales, CMS LLP, was re-appointed in October 2019. A tendering exercise to review this arrangement was included in the 2023/24 Business plan. This is described below.

2 Tendering Process

Following a review of all available routes to market and in conjunction with Glasgow City Council's procurement team, it was agreed that the Crown Commercial Service (CCS) Public Sector Legal Services Framework (RM6240) was the most appropriate means by which to procure the required legal services.

The CCS has set up a wide range of commercial agreements for commonly purchased goods and services as part of the UK government's strategy to maximise procurement efficiency and value for money. Where suitable, these agreements provide UK public sector customers with a simplified means of securing their requirements. CCS has a number of legal services frameworks available for consideration by public sector bodies. A mini-competition was carried out under the Public Legal Services Framework, Lot 1b Full Service Provision, which includes the property and construction specialism and 11 potential suppliers.

3 Mini-Competition

The tendering exercise commenced on 3rd May 2024 when an Invitation to Mini-Competition was issued to all 11 suppliers appointed to Lot 1b of the CCS Public Sector Legal Services framework.

Of the 11 suppliers, 3 submitted a bid by 28th May 2024, the deadline for submissions. Of the 8 suppliers who did not submit a bid: 2 cited insufficient capacity to fulfil the contract; 6 provided no reason for their non-participation.

The mini-competition documentation included a detailed scope of the services required by the Fund, requesting responses to 8 technical questions designed to assess the quality of each of the supplier's proposals, as well as seeking detailed pricing information for commercial and value for money assessment. Fair work practices (Fair Work First) were also assessed and details of voluntary community benefits were requested. The mini-competition award criteria were divided as follows:

- | | |
|------------------------------|-----|
| • Quality - Project Specific | 65% |
| • Quality - Fair Work First | 5% |
| • Price | 30% |

The evaluation panel comprising an officer of the Fund and three solicitors from the Council's Corporate Legal team assessed the tender responses and

allocated a score to each candidate. The Council's procurement department assessed the pricing and fair work first submissions and allocated a score to each candidate. The final scores for each candidate were as follows:

- CMS LLP 94.11%
- Pinsent Mason LLP 87.18%
- Burness Paul LLP 68.13%

4 Top scoring supplier: CMS LLP

CMS is an international law firm that offers a full range of legal and tax advisory services. The company is the world's 6th largest law firm by lawyer headcount and the 21st by revenue. Globally, CMS has over 1,000 partners and more than 4,500 lawyers in 70 offices across 39 countries. UK offices are located in London, Bristol, Manchester, Reading, Sheffield, Aberdeen, Edinburgh and Glasgow. The firm offers the largest real estate team in the UK (390 members), covering all of the legal disciplines required to provide end to end advice for a commercial property portfolio. CMS currently advise a number of leading names in the real estate market including institutional investment managers and commercial property companies.

5 Implementation

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

Subject to conclusion of contract the appointment will be effective from 5th July 2024 and will run until 5th September 2028.

6 Policy and Resource Implications

Resource Implications:

Financial: Total cost of the contract is dependent on the type of legal advice required over the course of the contract as well as the size of the Fund's property portfolio but it is expected to be in the region of £1m per annum. This is in line with current expenditure 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 a GCC solicitor.

Personnel: No issues

Procurement: The framework and call off process are described in sections 2 and 3 above. The process was conducted in accordance with public procurement rules.

Council Strategic Plan: SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential***

services in a sustainable, innovative and efficient way for our communities. The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

Equalities issues are addressed in the Fair Work First assessment.

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.

Community Benefits was included as part of the tender process on a voluntary non evaluated basis. 175 community benefit points have been offered as a result of this contract. The supplier recommended for award, CMS, has confirmed the following outcomes: 3 x MCR Pathways 1-2-1 Mentoring Programme (or equivalent Programme); 1 x Taster Sessions (Council or Delivery Partner Programmes); 6 x Work Experience Placement – School; 1 x Career Event; 1 x Workplace Visit; 1 x Business Mentoring; 1 x Community Engagement - Non-Financial Support (min. 5 hrs).

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

N/a.
All suppliers were assessed on their sustainability policies and on their ability to support the Strathclyde Pension Fund UK property portfolio's 2040 net zero target. Strathclyde Pension Fund's Climate Change strategy is being developed in line with Item 34 of the Council's Climate Action Plan. Appendices 6 and 7 of the business plan address climate change priorities. SPF's stewardship activity addresses all of the SDGs to some degree. This is reported regularly to the SPF Committee in a quarterly Investment Update.

What are the potential climate impacts as a

N/a.

result of this proposal?

Will the proposal contribute to Glasgow's net zero carbon target? N/a.

Privacy and Data Protection Impacts:

Are there any potential data protection impacts as a result of this report
Y/N No.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out N/a.

5 Recommendation

The Committee is asked to **APPROVE** the appointment of CMS LLP to provide legal services for the Strathclyde Pension Fund Property Portfolio.

Scope of Service

CMS will be expected to work with the Fund and its UK property portfolio manager to deliver the following scope of service.

Non-contentious matters

- Purchases – negotiation and preparation of missives, dispositions and any other related contracts
- Sales - negotiation and preparation of missives, dispositions and any other related contracts
- Advice on investing in indirect vehicles
- Leases – drafting and advising on leases, to include dilapidations advice and negotiations
- Advice on residential lettings including management agreements
- Break Notice advice
- Rent reviews
- Short term repeat leases

Construction matters

- Advice on construction law which will usually be on a project-by-project basis. GCC/SPF undertakes a number of property developments which requires a legal construction team in preparing documentation, preparing warranties etc.
- Advice upon implications of Building Safety Act 2022 and Fire Safety Act 2022 in respect of construction projects and ongoing management of assets within the portfolio, including registration process with Building Safety Regulator.
- Litigation relating to construction matters.
- Advice on procurement of contracts for works, services or goods within the scope of the Public Contracts (Scotland) Regulations 2015 and/or World Trade Organisation Government Procurement Agreement or any other relevant legislation/guidance applicable to any tender process and /or award of contract.
- Agreement for leases on construction projects, either direct by the Fund or a third party developer.
- Advice on development constraints within title or due to other legal interests affecting sites.

Tax matters

- Property investment tax matters
- SDLT
- VAT, including Option to Tax, Transfers of a Going Concern
- General or specialist VAT advice as required

Planning

- External planning consultants advise on the potential for schemes of comprehensive redevelopment or change of use. The supplier will determine the legal framework for this advice and its implementation.
- General planning advice may be required occasionally where there is a lack of certainty in relation to a current planning use or where advice is necessary during the due diligence process prior to a purchase.

Contentious matters

- Adjudication, arbitration and litigation
- Dispute resolution
- Landlord and tenant disputes
- Rent review
- Dilapidations
- Lease renewals
- Insolvency
- Break notices

Investment matters

- Local Government Pension Scheme (Scotland) Regulations and applicable legislation and guidance relevant to Pension Funds' investment in property.

Counsel

- Providing information and other necessary assistance and/or Counsel where required for court etc.