



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Richard Keery, Investment Manager, Ext: 77398

Item 5(a)

1<sup>st</sup> March 2023

### Award of Contract: Independent Property Valuer

#### Purpose of Report:

To conclude a tendering exercise for an Independent Property Valuer.

#### Recommendations:

The Committee is asked to **APPROVE** the appointment of **Avison Young** as Independent Property Valuer.

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 **10%** of total assets to a UK property portfolio managed by DTZ Investors. The portfolio has a current value of **£2,223m** and comprises **55** 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.

## **2 Current Service**

The Fund's property valuer contract was last tendered in 2018 and Avison Young were retained to carry out the service. The current contract with Avison Young runs to 31<sup>st</sup> March 2023. A tendering exercise to review current arrangements was included in the 2022/23 Business Plan. This exercise is summarised below.

## **3 Tendering Process**

In line with the efficiency and effectiveness aim of the Council's Corporate Procurement and Commercial Improvement Strategy 2018 - 2022 (which promoted consideration of National and Collaborative Frameworks), it was agreed that the most appropriate procurement route to deliver this contract would be a mini-competition process under Lot 5: Valuation and Compulsory Purchase Orders under the Crown Commercial Services (CCS) Framework agreement for Estates Management Services (reference RM6168).

## **4 Mini-Competition**

The tendering exercise commenced on 25<sup>th</sup> November 2022 when an Invitation to Mini-Competition was issued to 22 out of 25 suppliers on Lot 5 of the Framework. Three suppliers did not respond despite several attempts to make contact.

Of the 22 suppliers contacted, 3 submitted a tender by the 6<sup>th</sup> January deadline. A fourth bid was rejected due to late submission. Responses from the following 3 suppliers were received by the deadline:

- Avison Young (UK) Limited
- Knight Frank LLP
- CBRE Limited

## **5 Award Criteria**

The mini-competition documentation included a detailed scope of the services required by the Fund, and requested responses to technical questions designed to assess the quality of each of the suppliers' proposals, as well as seeking pricing information for commercial and value for money assessment. Fair Work First and Sustainability were also assessed, and details of voluntary community benefits were requested. The full scope of services is set out in **Appendix A**.

The mini-competition award criteria were divided as follows:

<b>Award Criteria</b>	<b>% split</b>
<b>Quality – Project Specific</b>	<b>35%</b>
• Account Management	6%
• Proposal to Meet Scope of Requirements	18%
• Continuous Improvement	6%
• Sustainability	5%
<b>Quality - Fair Work First</b>	<b>5%</b>
<b>Price</b>	<b>60%</b>
<b>Total Section</b>	<b>100%</b>

## **6 Evaluation**

The evaluation panel comprising officers of the Fund assessed the tender responses and allocated a score to each candidate. GCC Corporate Procurement Unit assessed the pricing and Fair Work First submissions and allocated a score to each candidate.

## **7 Final Scores**

The final scores for each candidate were as follows:

▪ Avison Young (UK) Limited	96.0%
▪ Knight Frank LLP	86.9%
▪ CBRE Limited	53.4%

Based on the award criteria Avison Young (UK) Limited tendered the most advantageous proposal for the Fund.

## **8 Avison Young (UK) Limited**

Avison Young (UK) is a specialist multi-disciplinary property services provider. The firm has 906 staff working across 13 UK offices with clients ranging from investors and developers to financial institutions and occupiers from both the public and private sectors. Avison Young (UK) is part of Avison Young (Canada) Inc. with 5,000 professionals serving key markets from over 100 offices in 16 countries. Across the UK business Avison Young have 69 RICS Registered Valuers and each regional office has a stand-alone valuation team.

## **9 Implementation**

Subject to conclusion of contract the appointment will be effective from 1st April 2023. Contract duration will be 5 years with the option to extend for a period of 12 months.

## 10 Policy and Resource Implications

### Resource Implications:

<i>Financial:</i>	Total cost of the contract is dependent on the number of properties in the portfolio but is expected to be in the region of £60,000 - £70,000 per annum. This is approx.10% higher than current cost of this service.
<i>Legal:</i>	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 GCC legal officers.
<i>Personnel:</i>	None.
<i>Procurement:</i>	The procurement process is described at paras 3 to 8 above.

**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:

<i>Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.</i>	Equalities issues are addressed in the Fair Work First assessment. Avison Young have an inclusion strategy and commitment to a safe working environment.
<i>What are the potential equality impacts as a result of this report?</i>	<p>Voluntary community benefits were included in this tender. Avison Young offered to deliver the following over the duration of the contract:</p> <ul style="list-style-type: none"><li>▪ Apprenticeships in surveying, planning and support functions, including accountancy, IT and business administration.</li><li>▪ Work experience and mentoring for Glasgow schools and colleges.</li><li>▪ Glasgow school insight days for S5 and S6 students.</li><li>▪ The Avison Young Community Fund supports local charities and community projects with grants across 4 key areas: health and well-being, education &amp;</li></ul>

employment, shelter & housing and nature & conservation.

Glasgow and Edinburgh offices will assist in several charity and community projects across the Central Belt. Including providing surveying for charity and community buildings. In 2022 the Glasgow office provided 132 hours of pro bono time.

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

See above.

### **Climate Impacts:**

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

Sustainability was assessed in the tender. Information was requested on efforts to reduce the carbon impact of the delivery of the services and on waste and recycling.

Avison Young highlight:

- 2030 Net Zero target for its own offices.
- Signatory to the World Green Building Council's Net Zero Carbon Buildings Commitment.
- Environmental Management System (EMS) accredited to ISO 14001. Annual environmental impact assessment on carbon, energy, water, waste and procurement.
- All staff working on this contract will be encouraged to follow a dedicated workplace travel plan which will promote cycling, walking and public transport.

*What are the potential climate impacts as a result of this proposal?*

Avison Young Net Zero targets align with those of SPF and the UK property manager DTZ.

*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

No

as a result of this report  
Y/N

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out	To be provided for in the legal documentation for the proposed service. No member data is involved with this contract.
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## 11 Recommendations

The Committee is asked to approve the appointment of **Avison Young** as Independent Property Valuer.

## Appendices

### Appendix A          Scope of Services

### Scope of Services

The scope of service from Avison Young 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 supplier 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 supplier 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. The meeting may take place in the Strathclyde Pension Fund Office or a Glasgow City Council Building or virtually as required.
- 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 Argus Enterprise system or other market standard system.
- h) Valuation and backup information will be required to be submitted to MSCI to meet their reporting timescales and deadlines.