



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 5

4th September 2019

Property Portfolio: Appointment of Legal Service Provider

Purpose of Report:

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

Recommendation:

The Committee is asked to **APPROVE** the appointment of **CMS Cameron McKenna Nabarro Olswang 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 10% of total assets to UK property. The UK property portfolio is managed by DTZ, has a current value of £2,021m and comprises 57 properties 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 Cameron McKenna Nabarro Olswang LLP, formally Nabarro, was re-appointed in May 2015. A tendering exercise to review this arrangement was included in the 2019/20 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) Wider Public Sector (WPS) Legal Services Framework (RM3788) 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 Lot 3 Property and Construction.

3 Mini-Competition

The tendering exercise commenced on 21st June 2019 when an Invitation to Mini-Competition was issued to all 8 suppliers appointed to Lot 3 of the CCS WPS Legal Services framework.

The 8 suppliers who received the mini-competition documentation were:

- CMS Cameron McKenna Nabarro Olswang LLP
- DAC Beachcroft LLP
- Dentons UK and Middle East LLP
- Pinsent Mason LLP
- Ashfords LLP
- Bevan Brittan LLP
- K&L Gates LLP
- Mills & Reeve LLP

Of the 8 suppliers, 4 submitted a bid by 22nd July 2019, the deadline for submissions. Of the 4 suppliers who did not submit a bid: 2 cited insufficient capacity to fulfil the contract; 2 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 11 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 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 Practices 5%
- Price 30%

The evaluation panel comprising officers of the Fund and two 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 practices submissions and allocated a score to each candidate. The final scores for each candidate were as follows:

- CMS Cameron McKenna Nabarro Olswang LLP 93.4%
- Dentons UK and Middle East LLP 76.9%
- Pinsent Mason LLP 72.6%
- DAC Beachcroft 69.1%

4 **Top scoring supplier: CMS Cameron McKenna Nabarro Olswang LLP**

CMS Cameron McKenna merged with Nabarro and Olswang on 1st May 2017 to form Cameron McKenna Nabarro Olswang LLP (CMS). The combined firm is a Top 10 Global Law firm, with over 1,100 partners and 4,800 lawyers worldwide. CMS has reach across 41 countries with 73 offices worldwide. UK offices are located in London, Bristol, Manchester, Reading, Sheffield, Aberdeen, Edinburgh and Glasgow. They are a full service legal firm and in terms of real estate they offer the largest real estate team in the UK (515 members), covering all of the legal disciplines required to provide end to end advice for a commercial property portfolio. They 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 1st October 2019 and will run until 30th September 2023.

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 £700k - £800k 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 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.

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: n/a

Social, including Article 20 opportunities:

The recommended supplier, CMS, has confirmed that it is a Living Wage employer. 7 Staff in the Glasgow office participate in the MCR Pathways mentoring programme, and a team of CMS volunteers work with partner primary schools in Edinburgh and Glasgow to improve literacy skills. The company runs a SME mentoring programme, works with a range of charities and community projects, and has partnered with RBS on education and employability initiatives.

Economic: n/a

Privacy and Data Protection impacts:

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

7 Recommendation

The Committee is asked to approve the appointment of CMS Cameron McKenna Nabarro Olswang LLP provide legal services for the Strathclyde Pension Fund Property Portfolio.

Scope of Service

CMS Cameron McKenna Nabarro Olswang LLP 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 and sales– negotiation and preparation of missives, dispositions and any other related contracts.
- Advice on investing in indirect vehicles.
- Leases – drafting and advising on leases.
- 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.
- Litigation relating to construction matters.
- Advice on OJEU matters relating to construction contracts.
- 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, TOGC, 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

- Arbitration and litigation.
- Dispute resolution.
- Landlord and tenant disputes.
- Rent review.
- Dilapidations.
- Lease renewals.
- Insolvency.
- Break notices.

Investment matters

- Advice on investment regulations and on investment structuring as required.

Counsel

- providing information and other necessary assistance and/or Counsel where required.