

**SURREY COUNTY COUNCIL****CABINET****DATE: 18 JULY 2017****REPORT OF: MR TIM OLIVER, CABINET MEMBER FOR PROPERTY AND BUSINESS SERVICES****LEAD OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER****SUBJECT: AWARD OF CONTRACT FOR PROPERTY INVESTMENT ADVISORY SERVICES****SUMMARY OF ISSUE:**

The Cabinet reviewed the Investment Strategy in March 2017 and confirmed its ambitions to grow the investment portfolio further in order to secure an income stream in support of the council's services. It was recognised that the strategy requires the support of a property investment advisor to provide the necessary skills and level of support required to expand the investment portfolio.

This report seeks approval to award a contract for Surrey County Council under the Homes and Communities Agency (HCA) Framework Agreement for the provision of property investment advisory services to commence on 1 September 2017 as detailed in the recommendations. The role of the Investment Advisor will be to provide resource and necessary skills to undertake strategic property investment advice (Portfolio Management), advice on the acquisition and disposal of assets (Investment Management) and ongoing Asset Management services to support Finance, Property and Legal Services in meeting the objectives set by Cabinet in connection with the revised Investment Strategy.

The report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended contract award delivers best value for money.

Due to the commercial sensitivity involved in the contract award process the financial details of the recommended supplier has been circulated as a Part 2 report.

**RECOMMENDATIONS:**

It is recommended that:

1. A contract is awarded to CBRE under the HCA framework for three years from 1 September 2017 with an option to extend for one year.

The value of the Council's contract will be determined by a schedule of rates based upon and calculated on actual volumes of transactions and the rent receivable from the assets in the portfolio. The cost of the contract will be offset against the income delivered by the growth in the investment portfolio.

## **REASON FOR RECOMMENDATIONS:**

In March 2017 Cabinet set out its ambitions for the further growth of the Investment Portfolio and the procurement of a property investment advisor to provide the necessary skills and level of support required. The proposed procurement will support the Council to grow its portfolio and increase the level of income received from investments thereby enhancing its financial resilience over the longer term.

## **DETAILS:**

### **Business Case**

2. The established HCA framework provides an existing range of providers with specialist resource able to carry out the advisory work.
3. The HCA's Property Framework 2014 – 2018 is used to procure property related professional and technical services including consultancy services, investment and financial services and valuation services.
4. The agreement supports the Council's ability to provide a high quality service with a competitive schedule of rates that represents value for money and clear monitoring measures to ensure this quality is maintained.

### **Procurement Strategy and Options**

5. A mini competition was carried out using the HCA Property Framework and an electronic tendering platform, compliant with Public Contracts Regulations 2015 and the Council's Procurement Standing Orders. Due to the estimated contract value, a mini competition was required.

### **Key Implications**

6. There will be a one month implementation period for the contract which allows for handover between suppliers if appropriate.
7. Appropriate contract management will take place throughout the duration of the call off contract and be reviewed at regular contract meetings. The management responsibility for the Council lies with Orbis Property Services who will maintain a process to ensure the services are monitored in accordance with the conditions of the agreement.
8. The schedule of rates will be fixed for the term of the contract. Any extensions will be subject to agreement by the Council after negotiation with the supplier.

### **Competitive Tendering Process**

9. The contract has been tendered following a mini competitive tendering exercise using the HCA framework, as outlined above.
10. A sifting brief was issued to all 13 suppliers in the framework as the first stage of the tender process on 27 April 2017. Eight responses were received from interested suppliers, from which five were shortlisted after the evaluation of received responses and invited to tender for the contract on 10 May 2017. Suppliers were given 21 days to complete and submit their tender. Four responses were received.

11. Tender submissions were scored against the quality and cost criteria and weightings as shown below.

<b>Tender Award Criteria</b>	<b>Weighting</b>
Quality - experience in the acquisition and evaluation of commercial and retail investment property	15%
Quality - experience in the Portfolio Management, Investment and Asset Management of commercial and retail investment property	15%
Quality - experience of working with public sector clients in the creation of commercial and retail investment portfolios	10%
Quality - ability to provide in house generated or commissioned research into the commercial and retail investment market	10%
Quality - ability to provide appropriate investment analysis and financial modelling necessary to support proposed investment purchases	10%
Price	40%
<b>Total</b>	<b>100%</b>

12. Each Quality question was assessed using a score range from 0 Unacceptable – No response or irrelevant information provided and bid excluded from further consideration, to 5 – Excellent/Exceptional report – response of very high standard, and excellent evidence is provided of continuous improvement and innovative ways of working to deliver best value outcomes. This was then multiplied to give a percentage score as outlined above.
13. Only those that scored 45% or more (out of a possible 60%) for Quality were considered for full evaluation. From the four suppliers who submitted tender responses, two were successful in being considered for full evaluation.
14. The Council reserved the right to hold clarification meetings with tenderers who progressed to full evaluation, prior to final moderation. The two suppliers who reached this stage were asked to submit additional information to clarify their pricing.
15. Price was evaluated based on the scoring methodology below to mark the price response. The lowest price from tenderers was used as a baseline (and awarded 40%) with percentage scores awarded for the difference between each of the remaining tenderers prices and the baseline.

Scoring methodology for evaluation of Price	Baseline = Maximum Score of 40%
A = Lowest Price = Baseline	Rank 1
B = 2nd Lowest Commercial Score $= (A/B) * 40$	Rank 2
C = 3rd Lowest	Rank 3

#### **RISK MANAGEMENT AND IMPLICATIONS:**

16. Risks were appropriately identified and have been satisfactorily mitigated. These risks and action to mitigate them include:
- a) Reputation – high standards need to be maintained in respect of supplier staff continuity, health and safety, flexibility and response, and the overall efficiency of the service. Ongoing performance monitoring will be undertaken by the supplier and the Council to maintain standards.
  - b) Quality of service – poor performance of the supplier affecting relationship between Property Services and sites. Careful selection of Supplier and management of Supplier after contract award.
17. The Council may terminate the Call Off Contract Instruction where the Consultant appears to have failed to perform the Services to an adequate level. Before deciding to terminate on these grounds the Council shall seek information from the Consultant about the amount and level of resource provided, the Consultant's mix of skills, knowledge, and experience in the property investment team working on the Council's business under this Call Off Contract Instruction and the market conditions.
- The Council will have regular meetings with the Consultant and will require the Consultant to provide information about the Consultant's performance and the market conditions at these regular meetings and also on an as required basis. Termination shall take place only after the Council and the Consultant have worked together on seeking an improvement in performance and that improvement has not been achieved. A notice period of three months shall apply to termination.
18. The supplier recommended for contract award was assessed as satisfactory for all financial checks in relation to the value of the proposed award.

#### **Financial and Value for Money Implications**

19. Full details of the contract value and financial implications are set out in the Part 2 report.

#### **Section 151 Officer Commentary**

20. The County Council is facing a very serious financial situation. A significant increase in the size of the investment portfolio will deliver additional net income to the Council in support of its essential front line services. The cost of the advisor and the resources provided will be recovered against the additional

income that is delivered by the growing portfolio, and as such, is an affordable expenditure.

#### **Legal Implications – Monitoring Officer**

21. The engagement of a property adviser is ancillary to the Council's agreed investment strategy and the means of procurement complies with statutory procurement requirements. Members will wish to consider the financial details of this proposal to ensure that they represent best value for the Surrey taxpayer and assure Cabinet that they are fulfilling their fiduciary duty.
22. The procurement complies with the law as set out in the Public Contracts Regulations 2015.

#### **Equalities and Diversity**

23. There are no equalities and diversity implications arising from the council appointing the proposed property investment advisors.

#### **WHAT HAPPENS NEXT:**

24. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award	18 July 2017
Cabinet call in period	19 to 24 July 2017
Contract Award	27 July 2017
Framework Agreement and Contract Signature	31 July 2017
Contract implementation	August 2017
Framework Agreement and Contract Commencement Date	1 September 2017

#### **Contact Officer:**

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#### **Consulted:**

Investment Board

#### **Background papers:**

Cabinet Report July 2013 – Investment Strategy  
 Cabinet Report March 2017 – Investment Strategy Review  
 Cabinet Report July 2017 – Award of Contract for Property Investment Advisory Services – Part 2 Annex – Commercial Details and Contract Award – item 20

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