1. Call-Off Contract Template

Framework Number: HCAE14088 Property Panel Framework
Call-Off Contract Number: GLA 80644

THIS CALL-OFF CONTRACT is made the 5th day of January 2015

BETWEEN:

(1) Greater London Authority ("**the Authority"**); and

(2) GL Hearn Ltd, a company registered in England and Wales (Company Registration Number 03798877) whose registered office is at 280 High Holborn, London WC1V 7EE (**"the Service Provider"**).

RECITALS:

A. The Contracting Authority and the Service Provider have entered into an agreement dated December 2014 which sets out the framework for the Service Provider to provide certain Services to the Contracting Authority or the Authority (**"the Agreement"**).

B. The Authority wishes the Service Provider to provide the specific Services described in this Call-Off Contract pursuant to the terms of the Agreement and this Call-Off Contract and the Service Provider has agreed to provide such Services on those terms and conditions set out in the Call-Off Contract.

THE PARTIES AGREE THAT:

1. CALL-OFF CONTRACT

1.1 The terms and conditions of this Agreement shall be incorporated into this Call-Off Contract.

1.2 In this Call-Off Contract the words and expressions defined in this Agreement shall, except where the context requires otherwise, have the meanings given in this Agreement. In this Call-Off Contract references to Attachments are, unless otherwise provided, references to attachments of this Call-Off Contract.

2. SERVICES

2.1 The Services to be performed by the Service Provider pursuant to this Call-Off Contract are set out in Attachment 1.

2.2 The Service Provider acknowledges that it has been supplied with sufficient information about this Agreement and the Services to be provided and that it has made all appropriate and necessary enquiries to enable it to perform the Services under this Call-Off Contract. The Service Provider shall neither be entitled to any additional payment nor excused from any obligation or liability under this Call-Off Contract or this Agreement due to any misinterpretation or misunderstanding by the Service Provider of any fact relating to the Services to be provided. The Service Provider shall promptly bring to the attention of the Call-Off Co-ordinator any matter that is not adequately specified or defined in the Call-Off Contract or any other relevant document.

2.3 The timetable for any Services to be provided by the Service Provider and the corresponding Milestones (if any) and Project Plan (if any) are set out in Attachment 1. The Service Provider must provide the Services in respect of this Call-Off Contract in accordance with such timing and the Service Provider must pay liquidated damages in accordance with this Agreement of such an amount as may be specified in Attachment 1. The Service Provider shall be liable for the on-going costs of providing Services in order to meet a Milestone.

2.4 The Service Provider acknowledges and agrees that as at the commencement date of this Call-Off Contract it does not have an interest in any matter where there is or is reasonably likely to be a conflict of interest with the Services provided to the Authority under this Call-Off Contract.

3. CALL-OFF TERM

This Call-Off Contract commences on the date of this Call-Off Contract or such other date as may be specified in Attachment 1 and subject to Clause 4.2 of this Agreement, shall continue in force for the Call-Off Term stated in Attachment 1 unless terminated earlier in whole or in part in accordance with this Agreement.

4. CHARGES

Attachment 2 specifies the Charges payable in respect of the Services provided under this Call-Off Contract. The Charges shall not increase during the duration of this Call-Off Contract unless varied in accordance with this Agreement. The Service Provider shall submit invoices in accordance with this Agreement and the Charges shall be paid in accordance with this Agreement.

5. CALL-OFF CO-ORDINATOR AND KEY PERSONNEL

The Authority's Call-Off Co-ordinator in respect of this Call-Off Contract is named in Attachment 1 and the Service Provider's Key Personnel in respect of this Call-Off Contract are named in Attachment 2.

This Call-Off Contract has been signed by duly authorised representatives of each of the Parties.

SIGNED
For and on behalf of the [*Authority*]

Signature:____

Name: ____

Title: ____

Date: ____

2. SIGNED
For and on behalf of [*the Service Provider*]

Signature:____

Name: ____

Title: ____

Date: ____

3.

Attachment 1

1. Services to be provided

1.0 Introduction / Overview

The Greater London Authority (GLA) and London Legacy Development Corporation (LLDC) are looking to engage professional valuations by valuers registered as members of the Royal Institute of Chartered Surveyors (RICS) to value their respective property portfolios as at financial year end to meet the requirements of International Financial Reporting Standards (IFRS), The CIPFA Code of Practice for Local Government accounting and The Companies Act.

2.0 Scope.

The GLA (and its subsidiary GLA Land & Property (GLAP)) together with the LLDC (and its subsidiary E20 LLP Stadium Consortium (E20)) holds current and non-current assets which need to be valued in order for the correct values to be carried in the individual statement of accounts as at financial year end (31st March) in the years 2015 to 2017.

Classes of assets for valuation include:

a) Inventory (development assets held as current assets under IAS 2)
b) Investment Property (IAS 40)
c) Property Plant & Equipment (PP&E (non-current assets IAS16).

The GLA, GLAP plus LLDC and E20 are required under International Financial Reporting Standards (IFRS) to prepare accounts which reflect the true and fair value of their assets as at the end of each financial year. This tender covers the years 2015-2017 only.

Additional valuation services may be required by exception but connected with the delivery of this project. Therefore please set out the relevant hourly / daily rates for any additional valuation services.

3.0 Detailed Basis of Valuation

The valuations will be carried out on the basis of Market Value in accordance with the latest or applicable RICS Valuation Professional Standards and applicable accounting standards including the recently adopted IFRS 13 Fair Value Measurement (Appendix 1). Valuers are to specify in their valuation report what edition of the Red Book applies each valuation and to liaise with GLA / LDDC and E20 annually before valuation commence, to confirm and clarify which standards have been adopted.

The valuations will also need to adhere to" **UKGN 5 Local authority disposal of land for less than best consideration**" where the GLA is deemed to be the Local Authority in question. As such the valuer is required to deliver both an unrestricted valuation and a restricted valuation; the latter will be required only where a development agreement or other contractual arrangement exists as at the date of valuation. This is required in order to enable the GLA to ensure assets are disposed within the boundaries of its Best Consideration restrictions.

Valuers will be required to provide an apportionment of the market value split between land and buildings for each asset.

In addition and for depreciation purposes only assets classified as Property, Plant and Equipment will be recognised on a component basis under International Accounting Standards (IAS) 16.

Where the components have materially different asset lives the valuers will provide an apportionment of the land and buildings value for specified assets together with an estimate of the remaining economic life of the buildings for accounting purposes only.

Componentisation is not required for development assets, investment assets which will be valued on an annual basis and therefore not subject to depreciation. For E20 only: PP&E is held at "Fair value" and therefore not subject to depreciation.

The valuers will be required to submit valuations gross of remediation costs, showing remediation, restrictions on use and restrictions on development separately, along with any other assumptions made in reaching the valuation. The valuations will reflect the planning circumstances, development agreements, remediation costs and all other risks and deductions associated with the current market value at the valuation dates.

For **Inventory**, the Net Realisable Value (NRV) should be presented as the gross valuation less the costs to sell. The net amount should not be provided.

In the case of leased assets, the valuer is required to state a value for Freehold as well as the value inherent in the lease and provide the calculation and any interest rates used in that calculation The tenure of each asset should be shown including details of the tenant, rental terms (for both leases in and out).

Any special assumptions will be explicitly recorded and set out, including any restrictions/covenants that would transfer to the buyer, and remediation and development potential / hope values.

4.0 Specific Asset Classes / Requirements for Valuations

The GLA / GLAP plus LLDC and E20 asset base consists of the following asset classes:

a. **Inventory (development stock)** – required to be valued annually based on IAS 2 lower of cost and 'Net realisable value' (NRV). NRV is deemed to be Fair Value less costs to sell and is exempt from the fair value definition under IFRS 13.

b. **Investment Property** - required to be valued annually based on IAS 40 Fair Value – Market Value. Fair Value to be defined according to IFRS 13 on an exit price basis.

c. **Property Plant & Equipment *held at cost* –** componentised into its significant parts and valued on a Fair Value – Market Value basis. This is allowable under IFRS 13 for assets that have unique characteristics that cannot be captured by direct market information or adjusted market information (i.e. level 1 or 2 inputs as per IFRS 13 paragraphs 76 to 85 –) i.e. where no market exists, the standard requires the entity to disregard any market value that does not capture the nature of the asset and instead employ either the income method or depreciated replacement cost to arrive at an appropriate fair value.

d. **Assets Held for Sale** – valued at fair value less costs to sell, on an ad-hoc basis as required if classified as Held for Sale.

e. **Exceptions -** Any specialised assets are currently valued using depreciated replacement cost (DRC) where an open market comparator may not be available.

5.0 Specific Accounting Policy

Valuations are to be prepared in accordance with the recently adopted IFRS 13 Fair Value Measurement.

The expected effects of which are outlined in the attached appendix 1. In particular IFRS13 requires ***any advantages that would not be available to market participants generally to be disregarded***. This is different from IVS.

Valuers need to be aware of this conceptual difference to ensure any valuations submitted are consistent with the objective of a fair value measurement in accordance with IFRS 13. Valuers are directed to the section 'Disclosures' which explains the additional data requirements which need to accompany every valuation.

(This effect of this policy adoption is set out in **Appendix 1)**

6.0 Depreciation and Componentisation

Inventory and Investment Assets will be revalued annually and as such, will not be depreciated. As the purpose of componentisation is to capture components, which deprecate over a faster or slower rate than that of its master component; Inventory and Investments Assets will not be subject to componentisation.

Property Plant and Equipment (PP&E) will be depreciated once brought into use, over their useful life on a straight-line basis, and componentised into Land and Building components in the first instance. Any significant component requiring an alternative useful economic life will also be componentised.

Assets Held for Sale are not subject to depreciation or componentisation, as they will be sold during the financial year. Should an asset be transferred from an asset category, which has a different valuation basis other than Fair value – Market Value, that asset will require a full revaluation to take place, prior to sale. The tender should include valuations which may be required under this asset category on an ad-hoc basis.

Heritage Assets will only be depreciated if they are found to have a useful economic life, rather than an indefinite life. Should they be depreciated they will also be subject to componentisation rules. The tender should include valuations which may be required under this asset category on an ad-hoc basis.

Valuers must provide revised useful economic life along with land and building split with any valuation of PP&E

7.0 Leases

Leases are required to be classified as either;

a. “finance leases” (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and;
b. “operating leases” (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

At commencement of the lease term, finance leases will be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments (discounted at the interest rate implicit in the lease, if practicable, or else at the entity's incremental borrowing rate).

For new leases the valuer will be required to deliver the interest for this calculation as well as for any lease renewals which may occur during the relevant financial year. The tender should include valuations which may be required under this category on an ad-hoc basis.

8.0 Reporting

In the first year 2014-15 full valuation reports and site inspections are required, with desktop valuations in the subsequent years 2015-16 and 2016-17 in accordance with RICS Red Book guidance.

In each of the three years full reports will be required on an exception basis, for example for an asset which has recently undergone significant improvement or change.

Full reports in the first year should be submitted in PDF format and should contain the following at minimum:

- Valuation Certificate and valuation type (full site inspection vs desktop)
- Signature and qualification of valuer
- Location and full address
- Description
- Site area
- Site Map
- Aerial Photo
- Land and building split (if applicable)
- Tenure
- Land Registry
- Joint Ventures / Development Agreements
- Tenancy Summary and schedule (if applicable)
- Planning
- Contamination
- Valuation Rationale including assumptions and approach

All reports (whether full or ‘desk top’) should also include the methodology, process (including key data inputs as required under IFRS 13) and evidence used to produce each valuation giving reference to the underlying accounting standards and demonstrate full compliance with RICS red book requirements. This might include such areas as due diligence, contamination, economic overview etc.

Full reports are to be presented in PDF format accompanied by a written report on valuation method. A summary of final figures is to be present as an appendix in PDF and separately in Excel.

At a summary level annually the valuer will need to provide commentary and or reasons for significant year on year movements

All tenders should include a sample full report document detailing the types of information that would be provided.

9.0 Key Documents

The Asset registers are shown at;

Appendix 1 – Effects of IFRS 13

Appendix 2 – GLA / GLAP

Appendix 3 – LLDC / E20

The GLA and LLDC will provide copies of relevant documentation including any relevant Project updates, contractual arrangements and associated contact details.

10.0 Timescales / Programme

The valuers will be required to deliver their preliminary report to the GLA and LLDC by the middle of March of each relevant financial year for comment and review.

The Final report will be submitted no later than the middle of April i.e. two weeks after the date of valuation (31st March) of the financial year to which the valuations apply.

11.0 Audit requirements

The appointed consultant needs to be willing to respond to audit queries (passed on via the GLA / LLDC and E20) and provide any additional information/evidence as required by the external auditors of each entity.

12.0 Experience and Skills

The selected Property Consultant (s) should have relevant experience of successfully completing similar Asset Valuation exercises and be able to demonstrate the same together with the relevant Professional staff who will undertake the work.

The Professional Staff engaged in the work must be named and details of their qualification and experience provided.

All valuers must be RICS qualified

13.0 Project Management and Structure of Commission

The appointed consultant will report to the following personnel as appropriate;

REDACTED
The consultant may be advised of substitute personal during the currency of the Project.

This call off contract relates only to the LLDC / E20 element of the Asset Valuation work.

A separate contract will cover the GLA and GLAP Asset Valuation work.

2. Timetable

Commencement date: 22nd December 2014

Call-Off Term: 22nd December 2014 to 31st May 2017

3. Liquidated Damages

Amount of liquidated damages per day (if any): N/A

4. Expenses

Expenses (if any) that the Service Provider may claim: N/A

5. Authority Account Details

Relevant account code and cost centre: tbc

6. Authority Call-Off Co-ordinator

REDACTED

7. Availability of Key Personnel

The Service Provider's Key Personnel shall be available at the following period of notice:

8. Other information or conditions

Any additional costs are to be agreed by the Authority in advance of any work being undertaken.

Attachment 2

1. Charges

REDACTED

2. Key Personnel

REDACTED

3. Proposed sub-contractors (if any)

None

4. Proposed completion date

As described in the ITT submission

Attachment 3

Special Conditions for Call-Off