

11 January 2018

**Agenda Item: 7****REPORT OF THE SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT****REVIEW OF THE PROPERTY CONSULTATION PROCESS FOR PROPERTY PURCHASES AND SALES****Purpose of the report**

1. The purpose of this report is to review the current property consultation process for property purchases and sales and ensure a consistent future approach.

**Information and advice**

2. The Aberdeen Property portfolio is a directly invested portfolio in which the County Council owns a number of buildings on behalf of the pension fund. The portfolio is managed by Aberdeen Standard Life who identify potential investments, sales opportunities, and manage the day to day running of the properties.
3. In the past there have been significant sales and purchases on this portfolio as the strategy changed to focus on higher quality properties. The portfolio is now almost fully invested and the rate of turnover is much decreased.

**Current process**

4. When Aberdeen identify potential sales or purchase opportunities in line with our investment strategy they investigate these and perform their own due diligence. These are then subject to their own internal challenge process through their investment committee. Aberdeen then write a recommendation report for the Pension Fund, explaining their recommended course of action.
5. Assuming the investment team are happy with Aberdeen's proposal, this is summarised on a 'Record of Consultation' document and sent to the Chair, Vice-Chair and one other member of the Pension Committee. Two of these three need to sign and return to confirm that they are in agreement with the action.

## **Other portfolios**

6. For the Schroder and Kames portfolios, the investment managers make all decisions without referring back to Officers or Members. For the In-house and Specialist portfolios, officers make decisions to implement the asset allocation strategy agreed by members. In no cases are members responsible for the investment decisions. This was confirmed at the last meeting as clarification for MiFID II purposes:-
  - investment decisions to implement the agreed strategy are operational decisions taken by officers

## **Implications**

7. The additional property consultation process was introduced at some point in the past as an additional way for members to be informed of activity in the Property portfolio, perhaps when there was significant turnover in investments.
8. This process for Property is different from any of the other portfolios and obscures the decision making responsibilities, which could have implications for our MiFID declarations. Furthermore it adds delay in making property investment and sales decisions which are sometimes under a tight timescale.

## **Suggested process**

9. In order to bring the process for property in to line with the other portfolios it is suggested that the additional Record of Consultation step is no longer required.

## **Other Options Considered**

10. Instead of the record of additional consultation, members could simply be sent the recommendation report for information, with no action required.
11. The process could remain unchanged, but this leaves us with a more complex process and additional delay.

## **Reason/s for Recommendation/s**

12. The change is recommended in order to simplify the decision making process.

## **Statutory and Policy Implications**

15. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATIONS**

- 1) That the simplified process be agreed as described in the report.

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**Constitutional Comments (SLB 02/01/2018)**

13. Pension Fund Committee is the appropriate body to consider the content of this report

**Financial Comments (TMR 12/12/2017)**

14. There are no financial implications arising from this report.

**Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

**Electoral Division(s) and Member(s) Affected**

All.

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