

Finance and Resources Committee

10.00am, Tuesday, 25 April 2023

Award of Lettings, Management and Maintenance Contract for Edinburgh Living

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
 - 1.1.1 Approves the award of a contract to deliver letting, management and maintenance services for homes within the Edinburgh Living portfolio to Umega Letting Ltd for a period of four years with the option to extend for a further three-year period;
 - 1.1.2 Notes the estimated value of the contract will be approximately £1 million per annum, growing to approximately £2 million per annum by the end of year four due to the growing number of homes within the Edinburgh Living portfolio; and
 - 1.1.3 Notes that the contract will go live on 1 June 2023.

Paul Lawrence

Executive Director of Place

Contact: Elaine Scott, Head of Housing Strategy and Development

E-mail: Elaine.Scott@edinburgh.gov.uk | Tel: 0131 529 2277

Finance and Resources Committee

Award of Lettings, Management and Maintenance Contract for Edinburgh Living

2. Executive Summary

- 2.1 This report seeks approval to award a contract for the delivery of letting, management and maintenance services for homes within the Edinburgh Living portfolio to Umega Lettings Ltd to commence on 1 June 2023 for a period of four years with the option to extend for a further three-years. The total estimated value is approximately £1 million per annum, growing to approximately £2 million per annum by the end of year four. The maximum value (including extensions) is anticipated to be £10 million.
- 2.2 The existing contract will end on 31 May 2023. A mobilisation and transfer period will begin immediately, subject to committee approval to appoint, to ensure continuation of services to existing tenants and prepare for delivery of the next phases of new homes.

3. Background

- 3.1 In 2018 the City of Edinburgh Council (the Council) established two Limited Liability Partnerships (LLP) to own and operate homes for market and mid-market rent. The LLPs are known jointly as Edinburgh Living and are now in the fourth year of operation, with 502 mid-market rent homes let and another 120 being delivered in 2023.
- 3.2 The Council owns 99.99% of the Edinburgh Living MMR LLP and 99% of the market rent LLP. Scottish Futures Trust (SFT) owns the remaining shares.
- 3.3 Edinburgh Living has no directly employed staff and is managed on a day to day basis by Council officers and a Senior Management Team (SMT) made up of five senior Council officers and one staff member from SFT. Oversight is provided by a Corporate Body which comprises four elected members, the Executive Director of Place and a Director from SFT.
- 3.4 The Council is responsible for procuring services on behalf of Edinburgh Living. Services are paid for through the collection of rents. The Council does not have the necessary systems and staff resources in-house to manage and maintain homes for market and mid-market rent. On 31 May 2023, the existing contract for lettings,

management and maintenance will expire and therefore the Council requires a new contract to deliver these services.

- 3.5 The majority of the homes will continue to be developed through the Council's growing housebuilding programme to be purchased on completion by Edinburgh Living. The homes form part of mixed tenure communities across the city. Edinburgh Living will also be seeking opportunities to purchase homes from the private sector to accelerate delivering the Council's affordable housing ambitions. Ensuring that there is a contract in place to successfully let, manage and maintain these homes is crucial to the service provided.

4. Main report

- 4.1 Edinburgh Living's mid-market rent homes are let and managed in accordance with the Private Housing (Tenancies) (Scotland) Act 2016. As Edinburgh Living has no direct staff, a provider with the relevant knowledge and expertise is required to let homes, act as the first port of call for tenants, collect rent and manage and maintain the homes in line with Edinburgh Living's obligations as a landlord.
- 4.2 A Prior Information Notice (PIN) was published on Public Contract Scotland (PCS) on 6 June 2022 to determine interest from potential providers and inform the market of the tender opportunity. Given the current market conditions in terms of cost inflation and availability of skills it was important for the project team to liaise with the market. Potential providers were given the opportunity to complete a questionnaire and attend an engagement session which provided an opportunity for Council officers to reflect on the current market appetite, risks and opportunities and develop the most suitable procurement route and optimum pricing schedule.
- 4.3 On 26 September, Commercial and Procurement Services (CPS) published a Contract Notice inviting interested organisations to submit a Single Procurement Document (SPD). The purpose of the SPD is to assess the financial capacity, business probity, experience, capability and social, environmental and fair work practices employed by the tenderers.
- 4.4 On 2 November 2022, five SPDs were submitted to the Council for evaluation. These were evaluated by Council officers with all five tenderers being invited to tender on 12 December 2022.
- 4.5 The procurement route utilised is a Competitive Procedure with Negotiation (CPN). This means the Council extended an initial invitation to tender to five tenderers following the outcome of the selection stage, to be followed by an optional negotiation period (within which elements of the tender can be negotiated), then a final tender submitted prior to award.
- 4.6 To identify the tenderer offering the most economically advantageous tender, the tender evaluations included an emphasis on quality as well as cost. A cost/quality ratio of 40% cost, 60% quality was applied to encourage competitive rates as well as ensuring the quality of services being provided under this contract are of a high standard. To further protect the quality element a minimum quality threshold of 50

marks out of 100 was included, with the Council having discretion to disqualify tenders which did not achieve this threshold.

- 4.7 On 23 January 2023, five tenderers returned initial tenders which were subject to the quality and cost assessment. One of the tenders failed to achieve the pre-set quality threshold and therefore was not considered further. The remaining four tenderers participated in the negotiation stage where feedback was provided and bidders had an opportunity to address any area that required clarification.
- 4.8 On 10 March 2023, four tenderers returned a final tender submission. The qualitative award criteria was assessed by the evaluation panel. As all four tenderers passed the pre-set quality threshold, the tenders were subject to a cost evaluation.
- 4.9 The cost evaluation consisted of a number of scored elements. 70% of the cost was allocated to the provision of a fixed cost for delivering core services. The core services are identified as the initial letting, marketing and ongoing management of the tenancy. 25% of the cost was allocated to the provision of non-core services and the repairs and maintenance service which consisted of hourly rates and a mark-up on materials and plant. The remaining 5% was allocated to a service credit which the bidder will only receive providing more than 95% of the rent is collected in the month and there has been less than 10 upheld complaints from tenants and the Council.
- 4.10 A summary of the tender process is attached at Appendix 1 and the recommendation for award of the contract is based upon the completed evaluation scores for the tenderers as detailed below:

Tenderer	Quality Score (60%)	Cost Score (40%)	Total Score (100%)
Umega Lettings Ltd	48.00	27.33	75.33
Tenderer 2	37.20	37.71	74.91
Tenderer 3	45.30	22.18	67.48
Tenderer 4	41.40	24.06	65.46

- 4.11 Umega Lettings Ltd has 15 years experience in delivering private sector lettings and management services to tenants and landlord clients in Edinburgh.
- 4.12 The current contract will come to an end on 31 May 2023.

5. Next Steps

- 5.1 Subject to approval, the contract will commence on 1 June 2023 for a period of four years with the option to extend for a further three years. Officers will facilitate the mobilisation period with both the existing Service Provider and Umega Lettings Ltd immediately, subject to Committee approval, to ensure that there is continuation of service for tenants.
- 5.2 The contract will replace the Council's existing contract and therefore a seamless mobilisation for the Council, Edinburgh living, and existing tenants will be very

important. The existing provider is working closely with the Council to support this transition.

- 5.3 A Senior Housing Development Officer will act as Contract Manager.
- 5.4 The Contract and Grants Management team (CAGM) will engage with the Contract Manager to ensure that effective contract management is delivered throughout contract lifecycle. All efficiencies identified in the procurement process should be delivered by the service area through proactive contractor engagement and monitoring of management information, application of key performance indicators and monitoring of community benefits.
- 5.5 The services provided by the incoming supplier have not previously been provided in-house by Edinburgh Living or the Council. To do this the Council would be required to increase internal resources, procure ICT infrastructure appropriate for private sector lettings and become an accredited letting agent. To ensure that this was cost effective, there will need to be economies of scale to ensure that the service could be covered fully by Edinburgh Living and mitigate any financial impact to the Council. As the LLP continues to grow, options around the financial feasibility of an alternative service delivery route will be explored prior to award of any future contracts.

6. Financial Impact

- 6.1 The contract is estimated to cost £4 million over the initial four year period. Whilst the Council is awarding this contract, all costs are passed on, in full, to Edinburgh Living. Edinburgh Living meets these costs from rental income from its portfolio of properties. Draft unaudited accounts for 2022 show that Edinburgh Living generated circa £3 million of rental income in 2022 – this amount is expected to increase through growth in the portfolio, and annual rent rises.
- 6.2 Should Edinburgh Living be unable to meet the costs from rental income, which is considered unlikely based on its current portfolio, the LLP has reserves, currently earmarked for future maintenance requirements, which could be drawn on in the short-term.
- 6.3 Based on 6.1 and 6.2 above, there is no financial impact to the Council as a result of this contract.
- 6.4 The prices quoted by the successful provider in the Pricing Schedule will be fixed for one year. Prices will be reviewed annually in line with the Consumer Price Index (CPI) as set in the February of the previous year. Pricing shall not be uplifted automatically in line with CPI, the CPI figure will form the basis for discussions relating to price increases. Any price increase will require reasoning and evidence of increased costs on behalf of the contractor to be presented to the Council.
- 6.5 Financial assessments have been carried out for the recommended provider and it has been deemed that there is low financial risk to the Council.

- 6.6 The costs associated with procuring this contract are estimated to be from £20,001 to £35,000.

7. Stakeholder/Community Impact

- 7.1 This Contract will contribute to the achievement of the Council's environmental and sustainability objectives. A sustainability question was asked as part of the tender evaluation process with the successful tenderer scoring in the excellent category.
- 7.2 The Sustainable Procurement Strategy was considered and applied through the request of community benefits. The contractors have committed to delivering the following community benefits as a minimum:
- 7.2.1 Commitment to employing one new apprentice during each year of the contract;
 - 7.2.2 Support for education and outreach with campaigns, talks and mentoring;
 - 7.2.3 Annual Meet the Buyer Event to support local Small, Medium Enterprises; and
 - 7.2.4 A minimum £10,000 per annum will be donated to support local funding initiatives aimed at supporting social and economical inequalities including a project aimed at reducing homelessness, area tidy-up campaigns, food bank volunteering and donations.
- 7.3 Community Benefits proposals will be monitored on the Council's community benefits platform by the Council's contract manager and reported annually.
- 7.4 The contract provides opportunities to Small and medium-sized Enterprises (SME) with Umega Lettings Ltd identifying as an SME and utilising SMEs to deliver elements of repairs and maintenance services.
- 7.5 Umega Lettings Ltd is an accredited real Living Wage provider.
- 7.6 The contract recommended for award is compliant with procurement regulations and the Contract Standing Orders. The risk of legal challenge relating to contractual arrangements for the provisions of this service is thereby reduced.

8. Background reading/external references

- 8.1 Edinburgh Living Annual Update 2022 - Housing, Homelessness and Fair Work Committee, [9 March 2023](#).
- 8.2 Edinburgh Living LLPs: Acquisition of Homes 2022/23 - Finance and Resources, [8 September 2022](#).
- 8.3 City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, [1 February 2018](#).

9. Appendices

9.1 Appendix 1 – Summary of Tendering and Tender Evaluation Processes.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Letting, management and Maintenance Services	
Contract period (including any extensions)	The contract period is for a period of four years with the option to extend for a further three years and will commence on 1 June 2023.	
Estimated Contract Value (including extensions)	£10 million	
Procurement Route Chosen	Competitive Procedure with Negotiation	
Tenders Returned	5	
Name of Recommended Supplier(s)	Umega Lettings Ltd	
Price / Quality Split	Price 40%	Quality 60%
Evaluation criteria and weightings	Price	40%
	Core Services Non Core Services Service Incentivisation Additional Services	75% 15% 5% 5%
Evaluation criteria and weightings	Quality	60%
	Contract Delivery Team Contract Mobilisation Delivery Approach and Methodology Quality Assurance and Customer Care Information/Data Management and Reporting Environmental and Sustainability Management Community Benefits Fair Work Practices	15% 15% 20% 10% 10% 10% 10% 10%
Evaluation Team	Development and Regeneration Manager, Place Operations Manager, Place Project Manager, Place	

Core Services: These services include the day to day management of lettings, management and communications with tenants. This will include collecting rents and ensuring that tenants have a successful start to their tenancies. The core service will also include reporting to the Senior Management Team quarterly and two contract meetings per

month with Council officers, which is an increased level of engagement in comparison to the existing contract. Planned maintenance, including statutory compliance, is also included within this service.

None-core Services: The provision of hourly rates and mark up on materials and plant for reactive repairs and maintenance

Service Incentivisation: Additional payment made to the provider where more than 95% of rent is collected within the calendar month and there are less than 10 upheld complaints from tenants or the Council

Additional Services: The provision of day rates for specialist services which may be commissioned over the lifetime of the Contract

The specifications have been refreshed to include increased oversight by Edinburgh Living's SMT. This will include twice yearly assurance reviews, increased contract management and staff engagement as set out above, including regular estate walkabouts, a refreshed quarterly reporting dashboard and named Supplier compliance and insight manager , amongst other things. Through the split in services, Council officers will have better oversight of repairs, trends and the level of customer service being provided. Customer feedback through surveys will once again be carried out annually.