

Property Conservation – Service Recovery Work

Policy and Strategy Committee

7 August 2012

1 Purpose of report

- 1.1 To advise Committee of the current position within the Property Conservation service and provide an update on how the outstanding issues are being addressed.

2 Summary

- 2.1 The Property Conservation service is going through a period of exceptional upheaval and scrutiny, including internal and Police investigations. The reputation of the service has been significantly damaged and public confidence is low.
- 2.2 The report sets out the key workstreams and challenges facing the recovery of the service.

3 Main report

Investigation

- 3.1 Allegations of poor service and mismanagement have been made against the service as a whole and against certain individual officers. Disciplinary action has already been taken in some cases, and disciplinary procedures are ongoing regarding a number of staff. This includes staff at all levels. The Police have carried out a separate investigation into some aspects of the service.
- 3.2 Most of the remaining internal disciplinary investigations are nearing completion. The table below shows the status and outcomes of internal investigations relating to Property Conservation staff.

Status	Number of Staff
Complete - Returned to Work	3
Dismissed - appeal received	2
Dismissed - appeal not upheld	0
Dismissed - no appeal received	2
Proceeding to disciplinary hearing	1
Retired/Resigned	2
Under Investigation	2

- 3.3 The Council reports on 28 April and 27 October 2011 set out the case for significantly reducing the workload undertaken by the Property Conservation service. This work can be split into major projects and more minor repairs and emergency work. The latter accounts for most work by volume. The vast majority of this work is carried out on an emergency basis and the number of Statutory Notices issued and enforced has continued with similar volumes to previous years. Customer satisfaction (as indicated by the number of complaints) and recovery are generally higher for this work.

Number of Statutory Notices issued relating to emergency works

	2009/10	2010/11	2011/12
Number of statutory notices issued	1440	1453	1073
Number of Statutory notices enforced	1431	1432	1060
Number of statutory notices not yet enforced	9	21	13
Percentage of Statutory Notices enforced	99%	99%	99%
Value of contractor Payments	£0.7m	£0.8m	£0.6m

- 3.4 The volume of larger projects undertaken has been very significantly reduced since March 2011 when Services for Communities took over the service.

Number of Statutory Notices issued relating to non-emergency works

	2009/10	2010/11	2011/12
Number of statutory notices issued	716	890	102
Number of Statutory notices enforced	332	649	96
Number of statutory notices not yet enforced	384	241	6
Percentage of Statutory Notices enforced	46%	73%	94%
Value of contractor Payments	£18.4m	£13.9m	£7.9m

- 3.5 This restriction in larger projects has been essential to stabilise the service and to protect the Council financially. It has however impacted on owners who are experiencing disrepair in their properties but cannot obtain neighbour agreement to carry out the repair. A weekly internal Project Panel meets to identify any cases where there may be a significant danger or public health

issue, and a limited number of such projects have proceeded. However there is demand for intervention from the service.

- 3.6 This reduction in notices served has also had an impact upon contractors, and representations have been received from the local building trade and trade bodies. The overall value of payments to contractors for Statutory Notice work is shown below.

Value of payments made to contractors in relation to non-emergency works

	2006	2007	2008	2009	2010	2011
Value of payments made to contractors	£9.8m	£10.6m	£14.9m	£18.4m	£13.9m	£7.9m

- 3.7 While work is ongoing to develop a new service it is not intended that the volume and value of work will ever return to the levels previously experienced. This presented significant financial and reputational risk to the Council. The thrust of any new service will be to encourage owners to take responsibility for their homes.

Pipeline cases

- 3.8 A number of projects where contracts were in place prior to the reduction in new work are referred to as Pipeline cases. These works are being progressed on site where possible. Where the original contractors have ceased trading the Project Panel reviews whether work should proceed.

Payments and cash flow

- 3.9 The service's financial arrangements have similarly been subject to scrutiny. A full analysis of all payments made to contractors has been carried out and the levels of spend are shown below.

Total value of payments made to contractors in relation to works undertaken by Property Conservation

	2006	2007	2008	2009	2010	2011
Value of payments made to contractors	£10.7m	£11.7m	£16m	£19.3m	£14.8m	£8.5m

Although some time delay between payments to contractors and billing to owners is to be expected, the table below shows that a significant value of unbilled work was allowed to accumulate.

	2006	2007	2008	2009	2010	2011
Value of payments made to contractors not yet recharged	£0.5m	£1.3m	£4m	£5.5m	£8.4m	£6.7m

- 3.10 The total value of this unbilled work is of the order of £27m, a far higher level than could be attributed to normal work in progress. Some of this debt is now several years old. Priority is being given to finalising these accounts, and billing owners for their share of the works.
- 3.11 This will be supported by a programme of communications to give owners advance notice that bills will be issued, and to provide reassurance on the basis on which they have been calculated.
- 3.12 Recovery rates of around 95% for billed work have traditionally been achieved. This has reduced slightly in the last two financial years, possibly linked to adverse publicity around the service.
- 3.13 Where accounts are queried or disputed by owners it was historically the practice to suspend action to recover the costs pending investigation of the issues. Suspensions have also been applied in the majority of the complaints resolution cases.
- 3.14 The value of suspended accounts is £5.9m which equates to 1634 invoices as at 5 July 2012. Of this, £4.9m relates to projects being reviewed by the complaints resolution team.
- 3.15 Although this represents potential future income, the sums recoverable will only become clear as cases are reviewed by the Resolution Team. Discussions are underway with the Councils insurers to establish how best to proceed in any cases where it is felt the full amounts should not be recovered from owners.

Complaints resolution

- 3.16 As previously reported to Council, a number of complaints from owners regarding the historic operation of the service have been received.
- 3.17 A dedicated complaints Resolution Team has been set up to investigate these complaints and to report to an internal panel of senior officers on outcomes in each case. The Resolution Team has external technical advice and support from specialist surveyors.
- 3.18 Complaints have been received from 883 owners covering 721 different projects. These cover a range of issues including the scope of work, costs, work quality, project management and communications.
- 3.19 To date, the officer panel has considered 58 complaint reports, agreeing 45 proposed outcomes. There is a right of appeal to the Director of Services for Communities, and two appeals have been received so far.
- 3.20 Progress reports on the outcomes of these complaints will be submitted to the Finance and Resources Committee. The Property Conservation Political Sounding Board will also review a sample of complaints to verify that the approach adopted is working effectively.

Unenforced Statutory Notices

- 3.21 In a number of cases, Statutory Notices have been served but not to date enforced. These total 1,935 notices, covering 20,337 properties.
- 3.22 A short life project has been established to explore the issues and risks for the Council and for owners posed by these notices. Options will include enforcement for some categories of repair, and/or lifting those notices which are unlikely to be enforced.

Contractor Disputes

- 3.23 Financial claims have been received from a number of contractors. In some cases these are retrospective and relate to projects previously completed and billed. Examples include claims that annual indices and/or specific rates were not appropriately applied. Each case is being examined individually and negotiations with contractors and their representatives are continuing. Legal advice has been sought in relation to a number of claims.

Consultants

- 3.24 A significant volume of work was previously passed on to external surveying practices to be managed on behalf of the Council. Consultant performance has been variable, and there have been difficulties in ensuring that some projects are managed to a satisfactory conclusion. A relatively high proportion of the unbilled work identified at 3.18 above relates to projects managed by consultants. Work continues to resolve these outstanding issues.

Designing the new service

- 3.25 Given the lack of public confidence in the Property Conservation service it is proposed that the existing service be closed down and a new service for homeowners be developed. A separate report on this agenda sets out the initial options for a replacement service.

4 Financial Implications

- 4.1 Both the work to finalise accounts and bill owners, and the complaints resolution work have potentially significant financial implications. Progress on these workstreams will be reported to Committee. In closing its accounts for 2011/12 the Council has increased its bad debt provision for this area to £5.98m.

5 Equalities Impact

- 5.1 There are no specific equalities impacts arising from this report.

6 Environmental Impact

- 6.1 There are no specific environmental impacts arising from this report.

7 Conclusions

7.1 The exceptional circumstances surrounding the Property Conservation service have presented a number of unique and complex issues, and challenges. Work is underway to address these and will be the subject of further reports to Committee.

8 Recommendations

8.1 Committee is requested to:

- a) Note the progress made in the recovery of the Property Conservation service; and
- b) Endorse the steps being taken to address the outstanding issues.

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Appendices

Contact/tel/Email	Peter Long, Interim Property Conservation Manager, 529 7354, peter.long@edinburgh.gov.uk
Wards affected	All
Single Outcome Agreement	Support SOA 4 - Edinburgh's communities are safer and have improved physical and social fabric
Background Papers	*