

Finance and Resources Committee

10.00am, Thursday, 19 March 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.23
Report number	
Executive/routine	
Wards	

Executive summary

This report provides Committee with a progress update for Programme Momentum

Links

Coalition pledges	P40 , P41
Council outcomes	CO7 , CO19
Single Outcome Agreement	SO4

Property Conservation – Programme Momentum Progress Report

Recommendations

- 1.1 Committee is requested:
 - 1.1.1 To note the management information dashboard reports in Appendix 1.
 - 1.1.2 To note the extension the scope of the Morton Fraser debt recovery process which will be contained within existing budgets.
 - 1.1.3 To note the interim management arrangements.

Background

- 2.1 Programme Momentum has been established as a robust end-to-end process across all workstreams relating to the legacy Statutory Notice issues, including the development of the blueprint for the new enforcement service.

Main report

Management information

- 3.1 Management Information for February is attached in Appendix 1. The dashboard reports have been refreshed and an activity volume forecast is provided to show the estimated remaining programme to close the legacy service and launch the new replacement service

Morton Fraser Debt Recovery

- 3.2 At the Property conservation Programme Board meeting on 10 February 2015 an extension to the scope of the Morton Fraser debt recovery process was approved.
- 3.3 The proposed extension of the existing Morton Fraser debt recovery contract with the Council is designed to recover more debt more quickly in respect of Statutory Notice works than is currently possible because of Council resourcing. The additional scope is based on debt being passed to Morton Fraser at an earlier stage in the debt recovery process than at present and the inclusion of a voluntary inhibition process.
- 3.4 The terms of the current debt policy will be maintained and the proposed extension will be fully in line with the Council's debt recovery policy. The Council will be entitled to recover judicial expenses in the same way that it currently does

and will retain full control over escalation of debt recovery in line with the current debt policy, including approval of court action.

- 3.5 A summary of the proposed additional scope is detailed below. The key components of the Morton Fraser proposed contract extension are:-
- Monitoring and escalation of debt recovery in respect of all outstanding aged statutory notice debt.
 - MF would now contact debtors 93 days after initial invoice issued and send 'soft' demand letter.
 - Full reporting of lapsed payment plans with CEC authorising court action.
 - Initiation and registration of Voluntary inhibition with renewal every 5 years as required by law.
 - Weekly payment reports and monthly dashboard reports.
 - Council Management retain control over the process with key decision points led by the operational Management.
- 3.6 Monthly MI reports will be issued to the Programme Board and Finance and Resources Committee.
- 3.7 The extension to the contract will commence on 1 April 2015 and the process will be piloted initially and reviewed after 12 months.
- 3.8 The Committee is asked to note the new debt recovery arrangements.

Interim Management Arrangements

- 3.9 Following the decision to appoint Jim McIntyre as Programme Director for the CEC Business Transformation Programme (BOLD), it is necessary to adjust the management arrangements in relation to the Property Conservation and Shared Repairs Service. Following this decision, Andrew Field, Senior Operations Manager, assumed leadership of both the legacy and new service on 19 March 2015.
- 3.10 The Programme Board and existing governance arrangements will continue as before.
- 3.11 This arrangement will continue until the new Head of Service is appointed and the team is positioned within the Council's new structure.
- 3.12 The Committee is asked to note the interim management arrangements.

Measures of success

- 4.1 Conclusion of reviewing statutory notice projects.
- 4.2 Billing and collection of outstanding debt.
- 4.3 Resolution of complaints.
- 4.4 Launch of new replacement enforcement service.

Financial impact

- 5.1 Significant financial issues with a collective value of approaching £30million require to be concluded and resolved.
- 5.2 Where Morton Fraser take all 1850 debtors through to inhibition, the cost to the Council will be approximately £731,860. In the best case scenario, where Morton Fraser take no debtors through to inhibition and recover all monies through payment plans, the cost to the Council will be approximately £316,111. These figures are an indication of the total cost to the Council, and include the current cost of debt recovery in respect of statutory notice debt. This will be contained within existing budgets.

Risk, policy, compliance and governance impact

- 6.1 This area of work represents a significant financial and reputational risk for the Council.

Equalities impact

- 7.1 There is no equalities impact arising from this report.

Sustainability impact

- 8.1 There is no adverse environmental impact arising from this report.

Consultation and engagement

- 9.1 Not applicable.

Background reading/external references

None.

Alastair Maclean

Director of Corporate Governance

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Links

Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city’s built heritage P41 – Take firm action to resolve issues surrounding the Council’s Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	Appendix 1: Management Information Dashboards



Programme Momentum Dashboard February 2015



Monthly progress update (for reporting purposes month end is 25 February)

OVERVIEW OF PROGRESS

All unbilled cases have been reviewed, as have the originally identified complex complaint cases. The new settlement process has commenced and offer letters are being issued to affected owners. Billing continues and has now exceeded £10.7m with £5.1m recovered. The scope of the existing contract with Morton Fraser has now been extended to include all statutory notice debt recovery under the revised debt recovery policy. The dashboards have been refreshed this month to show additional analysis around financials and settlements and an activity volume forecast to show the progress since Programme Momentum was established in July 2015 and the estimated remaining programme to close the legacy service and launch the new replacement service.



TOP RISKS	MITIGATION	RAG
1. Debt Recovery – Aged Debt	Large value of historic debt outstanding. Additional provisions have been made through the appointment of Morton Fraser to pursue aged debt.	Red
2. Recruitment	Key management and technical posts advertised at present with closing date of 6 March.	Red
3. Bad Debt Provision	The provision continues to be monitored on a weekly basis and reported monthly.	Red
4. Settlement Process	Settlement process underway but reputational, resourcing and financial risk remains high.	Yellow
5. Legacy & New Service Budget	Review options in light of reduced budget for the new service.	Red

OVERALL STATUS	RAG	COMMENTS
CUSTOMER SERVICES	Yellow	Drilling down on complaints/enquiries to improve statistical reporting. Reorganised staff resources to improve service.
FINANCE	Yellow	Financial reporting is consistent but limited data within systems complicates reporting.
PROJECTS	Yellow	TB now working on limited number of projects. The majority of projects will be completed by October 2015.
LEGAL	Red	Steady increase in the number of cases requiring legal action and in numbers being resolved.
CASE REVIEW & SETTLEMENTS	Yellow	All Momentum cases are completed. Additional cases commenced. Settlement process implemented
EMERGENCY SERVICE	Green	Activities are well managed and there are no key risks or issues
NEW SERVICE	Red	Implementation activities have commenced. Recruitment and budget provision remain the key risks.

INFORMATION / DECISIONS
1. Ongoing approvals of irrecoverable WIP and settlements
2. Review options in light of reduced budget for the implementation and operation of the new service
3. Review options following current recruitment drive

KEY PLANNED ACTIVITIES
1. Progress chosen option in light of new service budget decision
2. Transition of debt recovery workload to Morton Fraser
3. Continued focus on escalation of billing and settlements activities





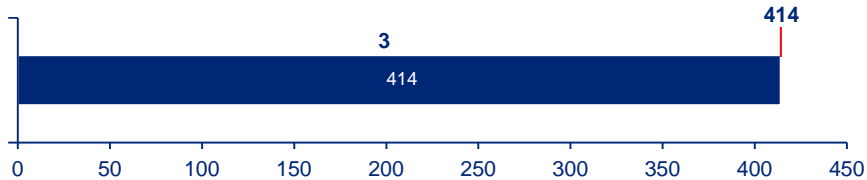
Case Reviews & Settlements

Programme dashboard as at 25th February 2015

Progress

All outstanding unbilled (Joule) cases have now been reviewed by Deloitte and passed to the Legacy Service for billing and for defect reparation works to be undertaken as appropriate. Deloitte have also completed the reviews of the originally identified complaint cases and these have been passed into the settlement process. There are a further 20 additional complaint cases which have currently been identified for review. The settlement process is underway with settlements being made to complainants and to other affected owners.

Joule Reviews (unbilled projects)



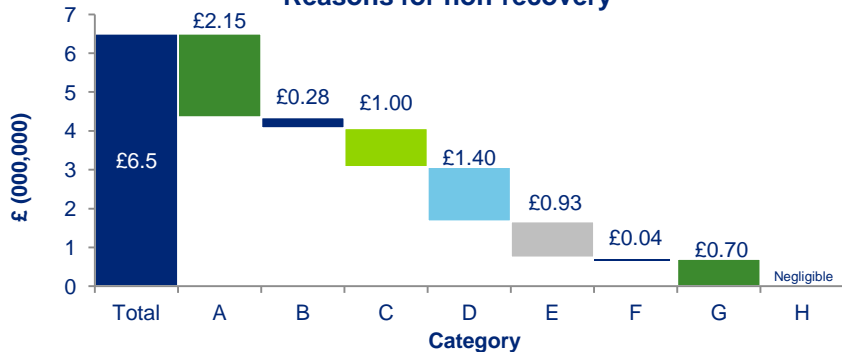
Stage

1 = Projects with missing critical information 3 = Released for further action or billing
2 = QA and panel stage

Metrics

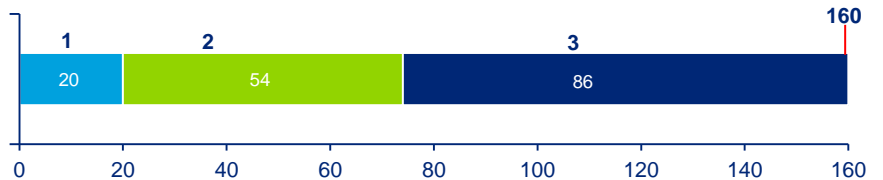
Value released 414 projects	Recommended Recovery 414 projects	Recommended Non- recovery 414 projects	Total Invoiced	Total Recovered
£22.6m	£16.1m	£6.5m (28% write off)	£10.7m	£5.1m

Reasons for non-recovery



A = Work outside scope of Notice
B = Incorrectly served Notice
C = Insufficient documentation to support recovery
D = Unverifiable costs
E = Inappropriate use of Emergency Notice
F = Third party costs not included on notice
G = Problematic Contractual Conditions
H = Equal divisibility per share

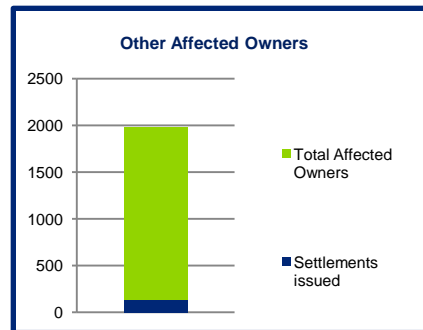
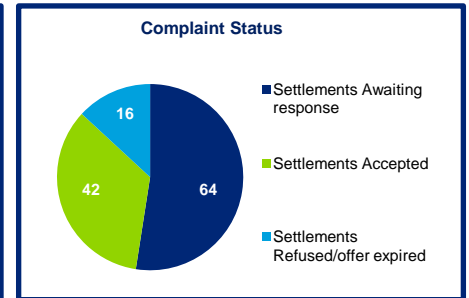
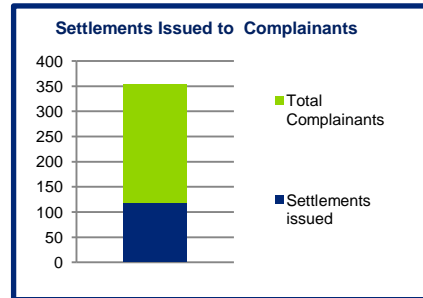
Complex Complaints Case Reviews & Settlements



Stage (Projects)

1 = Case reviews – additional cases 3 = Offer/ settlement stage
2 = QA and panel stage

Settlements Approved & Issued



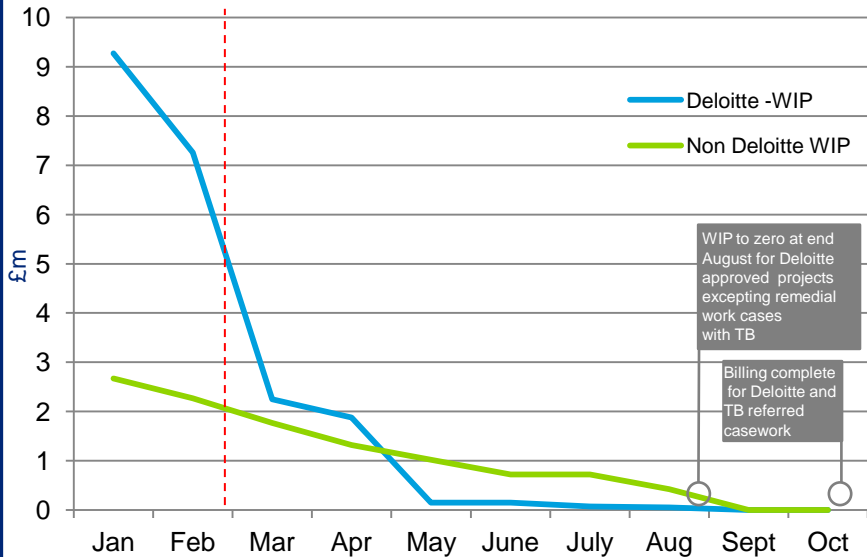
Settlement Value	
Total Settlements Approved under delegated authority	£1.021m
Settlements offered to date	£159k
Settlements paid to date	£65k



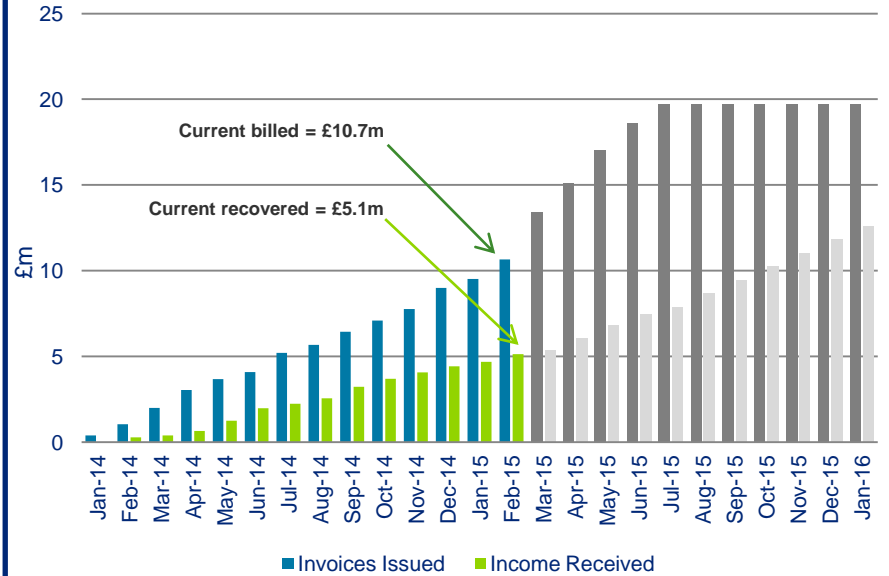
Progress

Billing has steadily increased to £10.7m. Project Joule WIP reduced from £22m as at Jan 2014 to £7.26m. An exercise is being carried out to identify all the relevant financial system requirements for the ICT 2016 project.

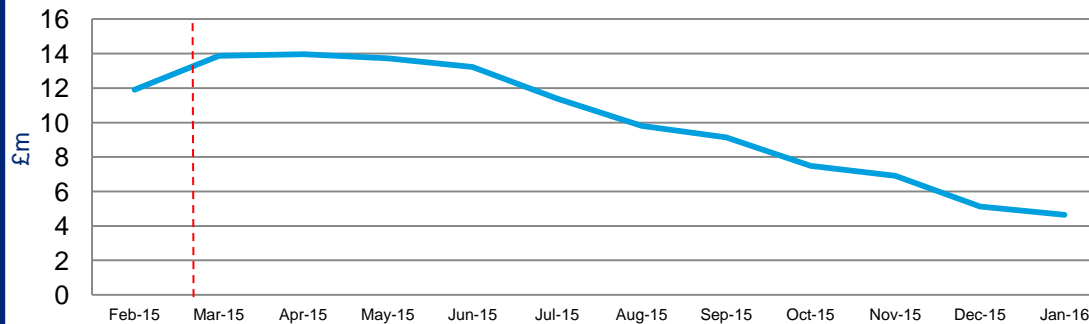
Work in Progress



Cumulative analysis and projection of Deloitte approved stat repair debt



Aged Debt – progress to date and projection



14/15 Budget Requirements

Summary	FY Revenue Budget	FY Forecast	FY Variance
Closure Programme & Defect Remedy Costs	0	3,817,507	3,817,507
New Enforcement Service	0	1,026,837	1,026,837
Shared Repairs Service	0	443,171	443,171
TOTAL	0	5,287,515	5,287,515



Legal & Debt Recovery

Programme dashboard as at 25 February 2015

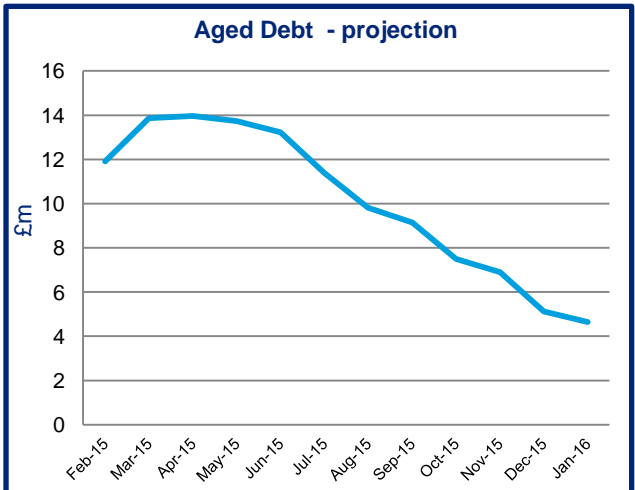
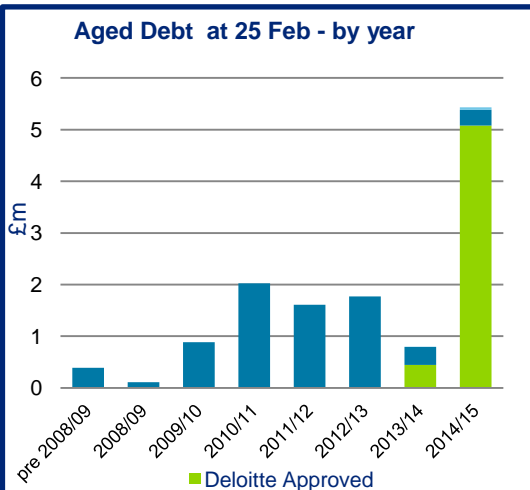
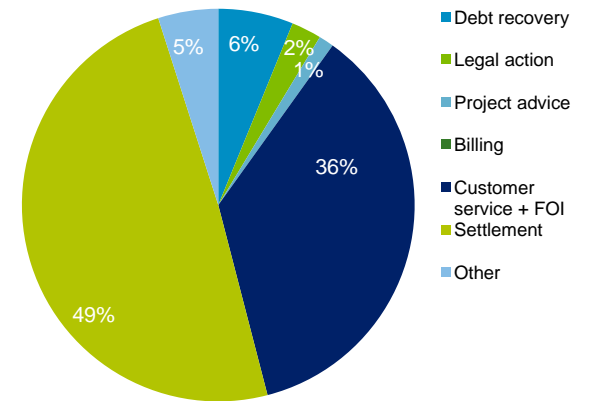


Progress

The scope of the existing contract with Morton Fraser has now been extended to include all statutory notice debt recovery under the revised debt recovery policy. It is anticipated that the number of debt recovery cases will increase as more projects are billed. The number of these cases which are contested to the extent that evidence requires to be heard in court are estimated to be less than five. The total legal cases resolved since July 2014 is 58; 38 were settled out of court, 2 were found against the Council and the remainder (18) were not pursued due to death, sequestration etc.

Legal Cases	Dec 14	Jan 15	Feb 15
Total number of ongoing cases at month end	90	81	75
Debt pursued by Council - Action not raised or raised and undefended	70	60	55
Debt pursued by Council - Action raised against and defended by debtor	18	19	18
Claims raised against the Council	2	2	2
Total no of cases resolved during month	7	5	6
Resolved by the Council of which (x) were settled out of court	5 (4)	3 (1)	4 (1)
Resolved against the Council of which (x) were settled out of court	0	0	0
Not pursued - i.e. owner sequestrated, gone away etc	2	1	1

Legal Workload across Legacy Service (%)



Aged Debt breakdown

Status	Deloitte Reviewed	Other Legacy	Shared Repairs	TOTAL
On hold	£608,828	£109,441	£1,795	£720,063
Active	£3,300,853	£510,458	£31,980	£3,843,291
Suspend	£881,079	£5,058,296	£10,282	£5,949,657
Potential Legal Action	£726,838	£1,759,127	£6,850	£2,492,815
TOTAL	£5,517,597	£7,437,321	£50,908	£13,005,826

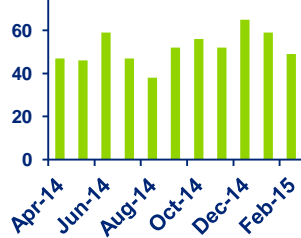


Projects

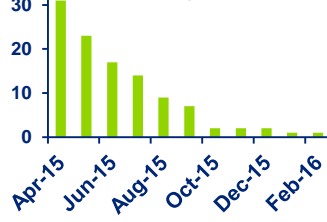
Programme dashboard as at 25 February 2015



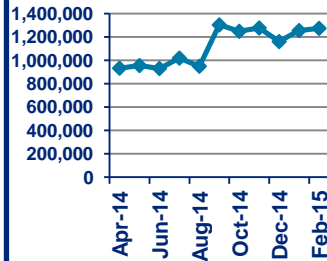
Active Projects



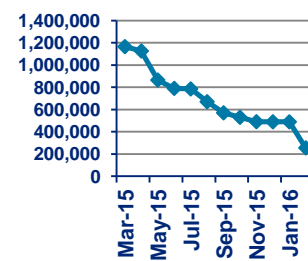
Future Activity on Projects



Value of Works Ongoing



Future Value of Works



Progress

Thomson Bethune continue to provide technical support and the delivery of ongoing projects and defects works (35 projects) arising from the case reviews. Workload continues to show a reduction in volume of projects. Requests for cooperation from Consultants is challenging however continues with measurable success.

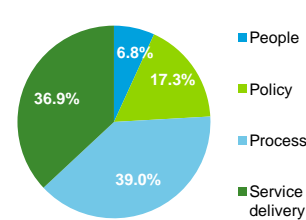


Customer Services

Programme dashboard as at 25 February 2015

CUSTOMER SERVICES KPI	Dec 14	Jan 15	Feb 15
No. of customer enquiries received	180	83	397
No. of customer enquiries closed	652	614	391
No. of solicitor enquiries	580	475	555
No. of customer complaints received	29	59	81
No of customer complaints closed	28	47	84
No of FOIs received new (reviews)	16	15	22

Types of complaints Closed Feb 15



Progress

Highest month to date for complaints, likely to increase due to billing volumes.

Enquiries team back to full strength and making a positive impact on targets.

FOI team have 22 new requests with a further 7 cases via reviews/ enquiries and settlement teams.



Shared repairs

Programme dashboard as at 25 February 2015

SHARED REPAIRS KPI	Dec 14	Jan15	Feb 15	Trend
No of requests for advice/ info only.	297	268	303	↑
No. of service requests	72	88	82	↓
No of emergency repair inspections resulting in statutory notices issued	50	64	63	↓
No. of Emergency service requests where information/ advice was provided	22	24	19	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£246,167	£259,775	272,035	↑
Value of income received from owners for emergency repairs (cumulative)	£198,110	£209,803	219,099	↑

Progress

February has been consistent with other months with drainage issues accounting for 86% of the service requests received, 13% related to masonry defects.

Analysis of the service requests received in the period has shown that 45% of the service requests received have been logged as out of hours calls which is a significant amount when compared to the total number of requests received for the month.

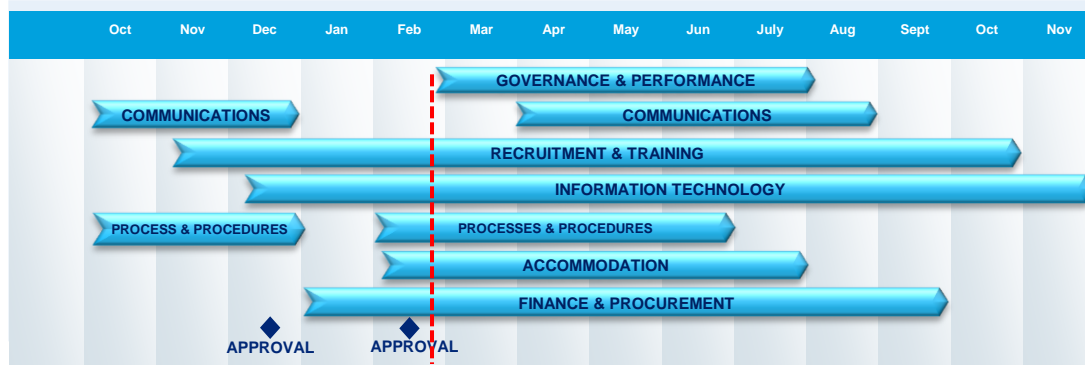


New Service

Programme dashboard as at 25 February 2015

OVERVIEW OF PROGRESS

The implementation team has worked with the appointed Consultants to undertake further project planning. This work has produced a project brief for each of the work packages, with agreed key milestones, and a critical path. Work package activities have progressed including the development of Customer and Case Management system requirements, the development of an options appraisal for contractor procurement and a recruitment campaign to advertise key Senior Management and technical posts is currently live. However a budget of only £1.5m has been allocated to the new service for 2015/16, representing a 30% reduction from the £2.16m required as per the blueprint design. An options report will be submitted to Finance and Resources Committee on 19th March 2015, outlining the implications of the revised budget and requesting a decision on the way forward - the key milestones and critical path will therefore remain in draft pending the outcome of this meeting.

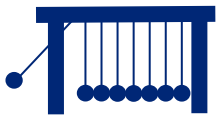


TOP RISKS	MITIGATION	RAG
1. Budget pressure	Agreed Service budget 30% less than Costed Business Plan. Blueprint can no longer be fulfilled. Options paper to F&R Committee to agree the way forward with the budget allocated.	Red
2. Recruitment	Initial recruitment advert indicated it will be difficult to recruit suitably skilled staff for the in-house team, leading to the potential need for co-sourcing and increased budget. Coordinated Recruitment campaign launched and live to attract applications.	Red
3. IT Systems	Development of the target IT architecture cannot be completed prior to the current launch date, interim position required. Review of interim systems to identify work arounds. Engage Corporate IT to start work on target systems once budget identified.	Red
4. Management Team	Management team is not recruited in time to allow for transition of valuable experience and knowledge from the implementation team. Coordinated recruitment campaign live and options paper includes key management posts still starting before full staff in place.	Red

OVERALL STATUS	RAG	COMMENTS
Governance & Performance	Yellow	Key activities and timings have been suggested, work will start once delivery option agreed.
Communications	Yellow	Current communication activity complete until March 2015 when preparation of launch activities will begin if launch date remains.
Recruitment & Training	Red	Live recruitment campaign in place for Senior and Technical positions with closing date of 06/03/2015. Applications will be assessed and interviews carried out. Co-sourcing options will also be developed and costed.
Information Technology	Yellow	CRM and Case Management requirements are being defined. Once complete these will be used to specify the particular systems and associated costs of development.
Processes & Procedures	Yellow	A hierarchy of processes and procedures is in developed with gap analysis identifying the work which needs to be undertaken.
Accommodation	Yellow	Legacy and New Service requirements have been discussed with the Accommodation Team to ensure requirements are understood. Accommodation team are to be updated as staffing profile changes.
Finance & Procurement	Yellow	Procurement options appraisal underway and will be reported to the Programme Board. Preferred option will be taken forward once delivery option has been agreed with reduced budget.

INFORMATION/ DECISIONS

- Programme Board 10/03/2015** - agree options for report to F&R as a consequence of Council Budget setting.
- Finance and Resources Committee 19/03/2015** - agree option for Service delivery with reduced budget.



Programme Momentum – Remaining Activity

Monthly progress update (for reporting purposes month end is 25 February)



PROGRESS AND FORECAST

Below, an activity volume forecast is provided below to show the progress since the Programme Momentum was established in July 2015 and the estimated remaining programme to close the legacy service and launch the new replacement service.

