

Finance and Resources Committee

10.00am, Thursday 19 March 2015

Property Conservation - Programme Momentum Review - July 2014 - February 2015

Item number	7.24
Report number	
Executive/routine	
Wards	

Executive summary

This report provides Committee with a review of: the status and progress to date of Programme Momentum; and the risks challenges and estimated timescales to close the legacy service.

Links

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

Property Conservation - Programme Momentum Review - July 2014 - February 2015

Recommendations

- 1.1 Committee is requested:
 - 1.1.1 To note the progress of the programme against the defined success criteria at Appendix 1.
 - 1.1.2 To note the remaining risks and challenges to the programme at Appendix 1.
 - 1.1.3 To note the remaining activity and estimated timescales to close the legacy service at Appendix 1.

Background

- 2.1 Programme Momentum was established in July 2014 as a robust end-to-end process across all workstreams relating to legacy Statutory Notice issues as well as the development of the blueprint for the new Shared Repairs Service.
- 2.2 The purpose of this report is to review the progress of the programme against the agreed success criteria at a time when the programme is entering a new phase, as the case review work concludes and the consultant support reduces. The report also reviews the remaining challenges and timescales through to the closure of the legacy service and launch of the new Shared Repairs Service.

Main report

Introduction

- 3.1 At the inception of Programme Momentum, the core issues identified with the legacy service included a lack of consistent management information, fragmented IT systems, a silo approach to the team structure and policy gaps which urgently needed to be resolved to enable the progression of the closure programme.
- 3.2 Existing workstreams were reviewed and redesigned to better structure the programme team and a Programme Management Office (PMO) was established to oversee all aspects of the programme.

- 3.3 With such a complex and multi-faceted programme of activity, it was important to define the Success Criteria to enable the measurement and monitoring of progress against the programme objectives.
- 3.4 Appendix 1 provides a status review of progress against the individual Success Criteria. The key achievements and progress to date are summarised below.

Legacy Closure Programme

Programme Management Office

- 3.5 One of the first tasks of the Programme Management Office was to undertake an organisational review of the legacy property conservation team. The legacy team was fragmented across numerous offices in City Chambers and therefore new accommodation was identified to bring the disparate parts together. A wholesale review by service function was undertaken in order to build a solid foundation for the legacy closure programme. Revised governance arrangements for the team were quickly implemented which resulted in the re-deployment of some staff and the recruitment of others where skills gaps were identified.
- 3.6 The quality of existing management information was acknowledged as requiring improvement and therefore a key focus for the programme office was to ensure that a robust and consistent set of management information could be reported to the monthly Programme Board and Finance and Resources committee. Existing finance and IT systems were improved and management information dashboard reports were designed to clearly articulate the progress and performance of the closure programme.
- 3.7 Policy gaps were identified around the treatment of settlements and debt recovery. The programme office authored new policies for these key issues, which were subsequently approved by the Finance and Resources Committee.

Case Reviews

- 3.8 The case reviews for the 414 unbilled projects and 102 originally identified complex complaints cases have now been completed by Deloitte. This is a significant milestone and fixes the Council's position on these legacy cases in terms of billing, settlements and potential legal action. Of the £22.6m Work in Progress reviewed by Deloitte, £16m has been verified as recoverable and £6.5m (28%) has been deemed irrecoverable which will be written off. The support to the programme from Deloitte will now reduce and will be focussed on the additional case reviews (c.30 estimated), implementation support for the new service and any required expert witness services for cases that proceed to litigation.

Finance

- 3.9 The billing is progressing well with £10.7m invoiced to date (from Deloitte reviewed cases) and over £5.1m recovered. The average recovery rate for Deloitte reviewed cases on invoices issued in 2014 is 62%. There remains over £8.2m of recoverable Work in Progress left to invoice. It is estimated that all

invoices relating to Deloitte reviewed cases (excepting those with defect works required) will be issued by August 2015.

Projects

- 3.10 Over 70 defects projects have been completed to date by Thomson Bethune on legacy projects with a value of £2m (£800k recoverable) which have allowed the release of invoices in excess of £6.8m. This is a key part of the legacy closure process enabling the resolution of complaints and to ensure the Council is in a strong position to invoice and recover the outstanding debt. There are a further 35 ongoing defects projects, the majority of these projects will be completed by October 2015, at which point Thomson Bethune will hand over all project duties to Council staff. The small number of remaining projects will be completed by February 2016.

Settlements

- 3.11 The settlement process has been designed and implemented, which has been the subject of previous Board and Committee papers. Early progress has been encouraging with 72% of settlements being accepted by return. The total number of complainants who will be contacted as part of the settlement and complaint closure process is 355. There are a further 2000 other owners who have been affected by the work and who will be contacted as part of the process. It is estimated that all settlement offers relating to known legacy complaints and other affected owners will have been issued by September 2015.

Legal/Debt Recovery

- 3.12 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 Council is currently pursuing 75 legal actions relating to debt recovery and is defending 2 actions raised by owners. 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. The current aged debt stands at £13m and it is estimated the legal and debt recovery workstream will continue until beyond programme closure. A profile of anticipated recovery can be found in Appendix 1.

Customer Services

- 3.13 [REDACTED]
[REDACTED]
[REDACTED] This resulted in the establishment of a new single point customer gateway in September 2014 and this is operating efficiently. The team handles over 900 customer contacts per month, which includes an average of 60 new complaints, 20 member contacts and 20 Freedom of Information requests.

Emergency Repairs Service

- 3.14 The Emergency Repairs Service continues to assist property owners with advice, support and facilitation of emergency repair works where required. The service receives an average of 300 requests for assistance per month resulting in an average of 60 notices served where work is completed. The majority of issues the service deals with are drainage related. Expenditure for the financial year to date has been £270k with £220k recovered from owners.

New Service Implementation

- 3.15 Work completed to date includes the production of a service blueprint, costed business plan and implementation plan. These documents were approved by full Council on 11 December 2014 (subject to approval of the budget). Since then, 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.
- 3.16 At a full Council meeting on 12 February 2015 a budget of £1.5m was 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 19 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.

Measures of success

- 4.1 Conclusion of case reviews for 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 Following the Council decision on funding taken at its meeting of 12/02/15, the launch of the new service requires review.

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.

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Director of Corporate Governance

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Links

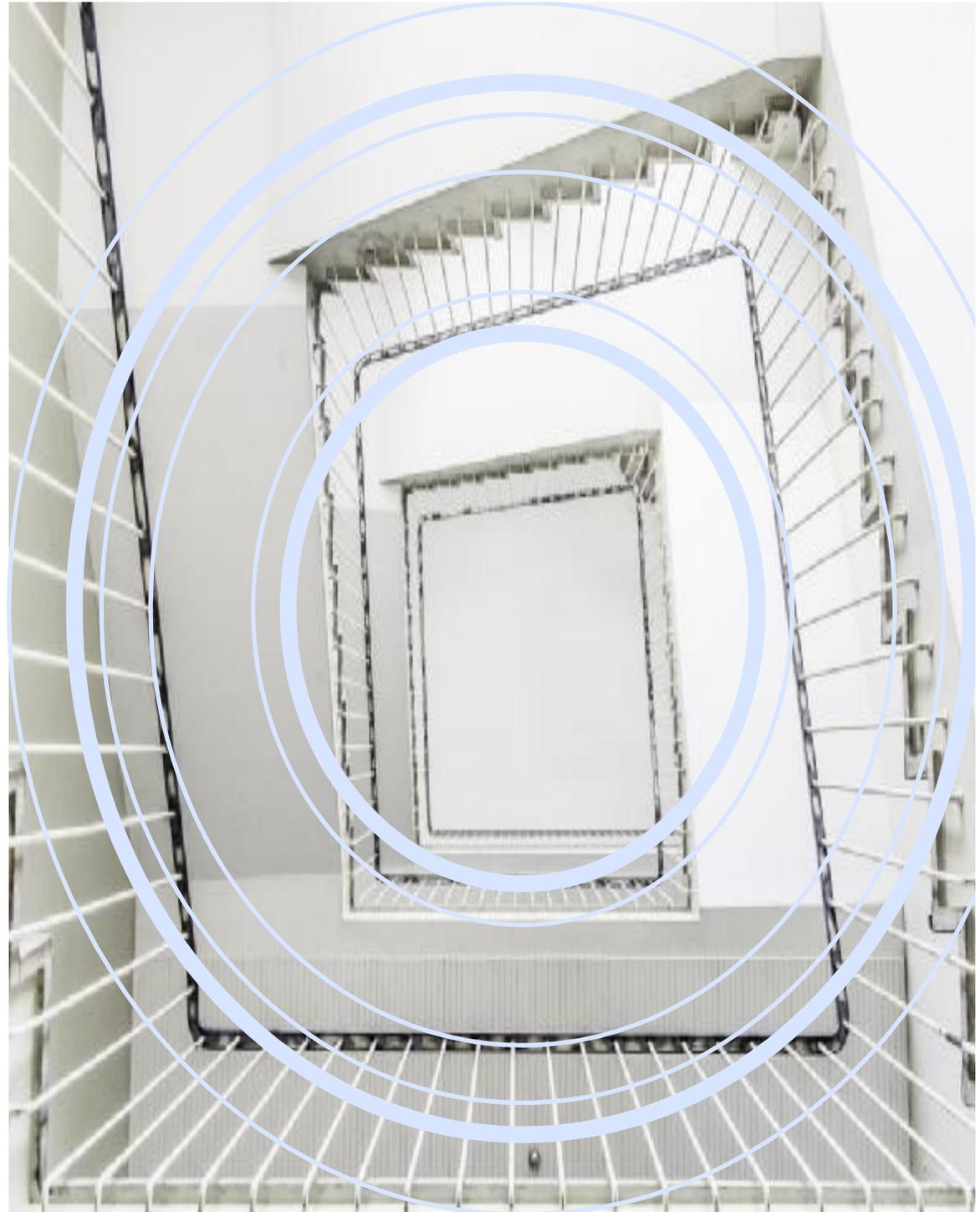
Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city’s built heritage P41 – Take firm action to resolve issues surrounding the Council’s Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive 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: Programme Momentum Review

Property Conservation Programme Momentum

Review Report
July 2015 – January 2016

APPENDIX 1

February 2015
Version 5



Contents

1	Executive summary
2	Background
3	Programme workstreams
4	Success criteria
5	Progress to date
6	Remaining challenges/ risks
7	Estimated remaining activity
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Executive Summary

- § Programme Momentum was established in July 2014 as a robust end-to-end process across all workstreams relating to legacy Statutory Notice issues as well as the development of the blueprint for the new Shared Repairs Service.
- § At that time, the core issues identified with the legacy service included a lack of consistent management information, fragmented IT systems, a silo approach to the team structure and policy gaps which urgently needed to be resolved to enable the progression of the closure programme.
- § Existing workstreams were reviewed and redesigned to better structure the programme team. A Programme Management Office (PMO) was also established to oversee all aspects of the programme.
- § With such a complex and multi-faceted programme of activity, it was important to define the Success Criteria to enable the measurement and monitoring of progress against the programme objectives.
- § This report provides a status review of progress against the Success Criteria. The key achievements to date include:



Restructured programme team



Production of management information



Interim solutions for IT systems



All 414 unbilled projects reviewed



All originally identified 102 complex complaints cases reviewed



£10.7m billed



£5.1m recovered



Settlement process underway, £1m approved settlements

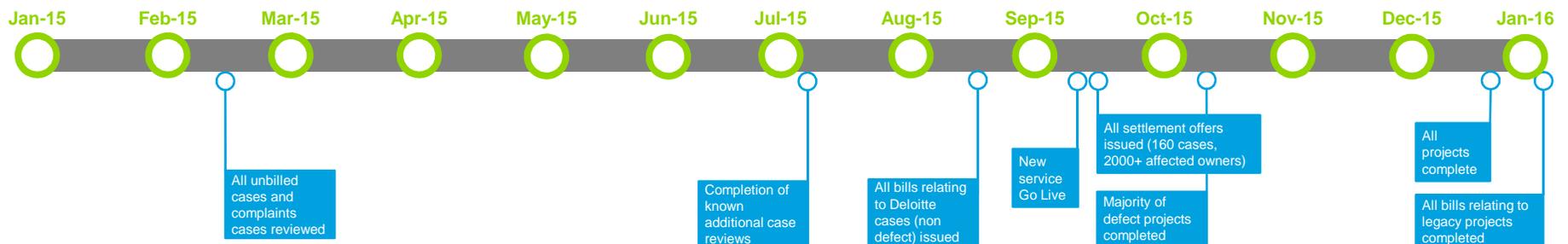


Policies implemented (debt recovery, settlements)



Production of new service blueprint, implementation & cost plan

- § Also provided from section 6 onwards is an assessment of the remaining challenges along with an estimated forward programme of activity through to the closure the legacy programme and launch of the new service. The key completion milestones are shown below:



Programme Momentum - background

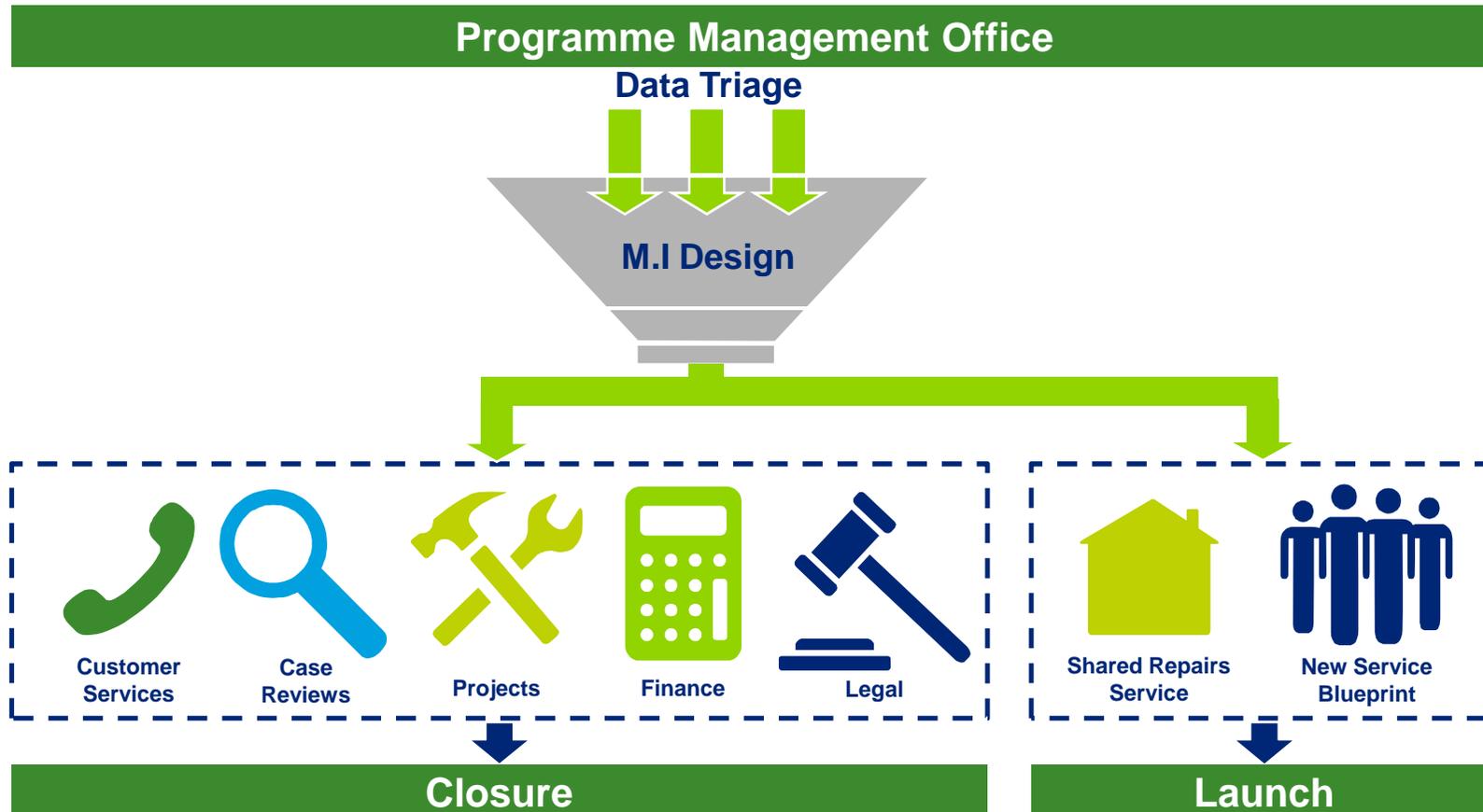
- § Following the well documented issues with City of Edinburgh Council's (CEC) former Property Conservation Service in 2011, CEC have been engaged in a 'Closure Programme' of the legacy service.
- § The closure programme was faced with over **£30m** outstanding debt, **400** unbilled projects, and **150** unresolved complaints cases.
- § On 5 June 2014, the Finance and Resources Committee concluded that a step change is needed to accelerate the progress across the Property Conservation Legacy Closure Programme.
- § Elected members were also reviewing options for a new enforcement service with a wider remit beyond emergency work, a principle which has now been approved by Committee.
- § Programme Momentum was established in July 2014 as a robust end-to-end process across all workstreams relating to legacy Statutory Notice issues as well as the development of the blueprint for the new enforcement service.

The following core issues were identified with the legacy service:

- 1 There was a lack of consistent and credible management information
- 2 Multiple, fragmented IT systems meant that customer and finance data was not stored in one location
- 3 The programme team structure and processes were prohibitive and prevented the efficient handling of owner contacts
- 4 There were skills gaps within the team and an over-reliance on temporary resource
- 5 There were policy gaps in relation to the Council's position on the settlement of cases and debt recovery

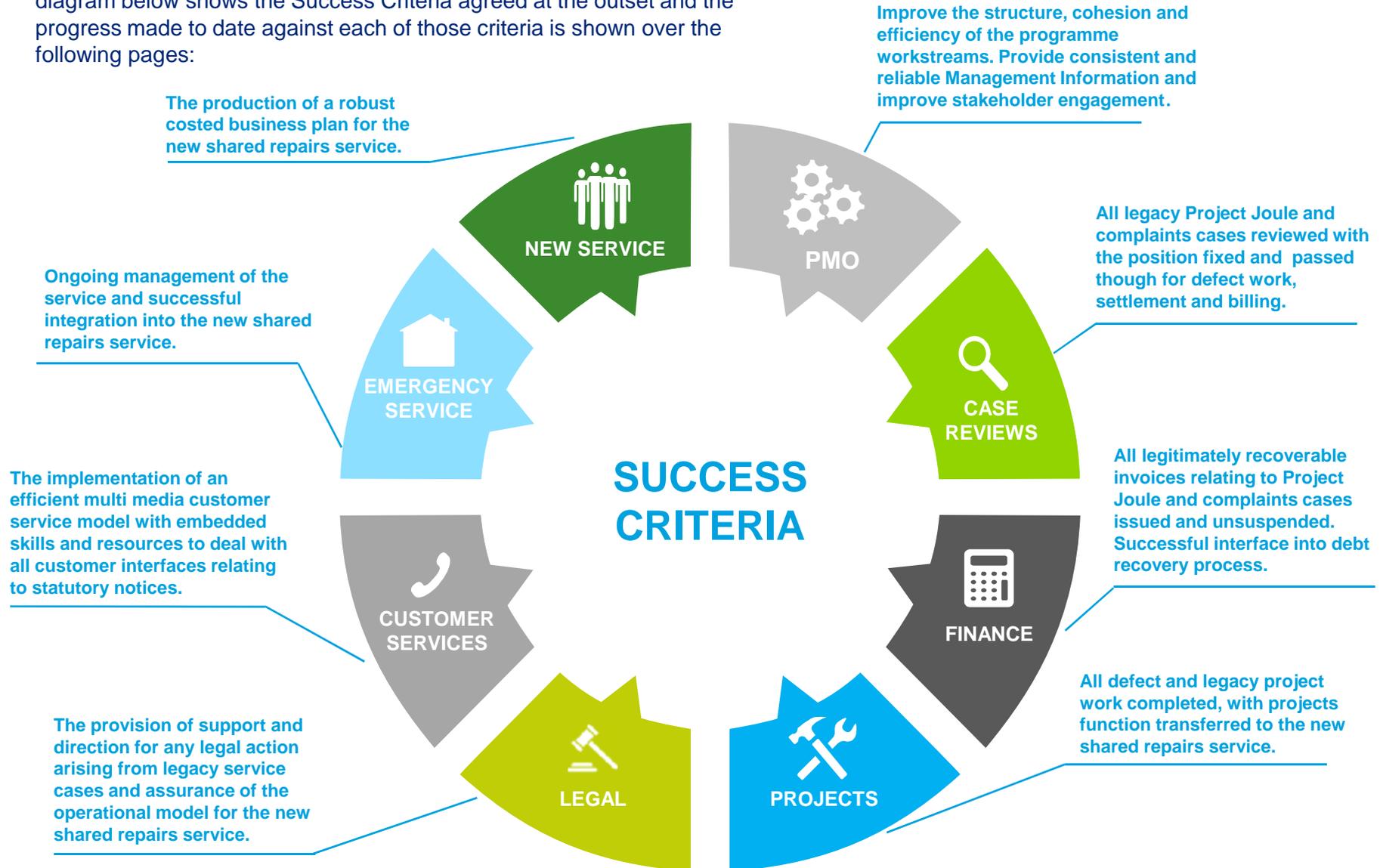
Programme workstreams

Existing workstreams were reviewed and redesigned to better structure the programme team. A Programme Management Office (PMO) was established to oversee all aspects of the programme and provide assurance and reporting of Management Information (M.I) to the Programme Director, Programme Board and Finance and Resources Committee.



Success Criteria

With such a complex and multi-faceted programme of activity, it has been important to define and monitor the success of the programme. The diagram below shows the Success Criteria agreed at the outset and the progress made to date against each of those criteria is shown over the following pages:





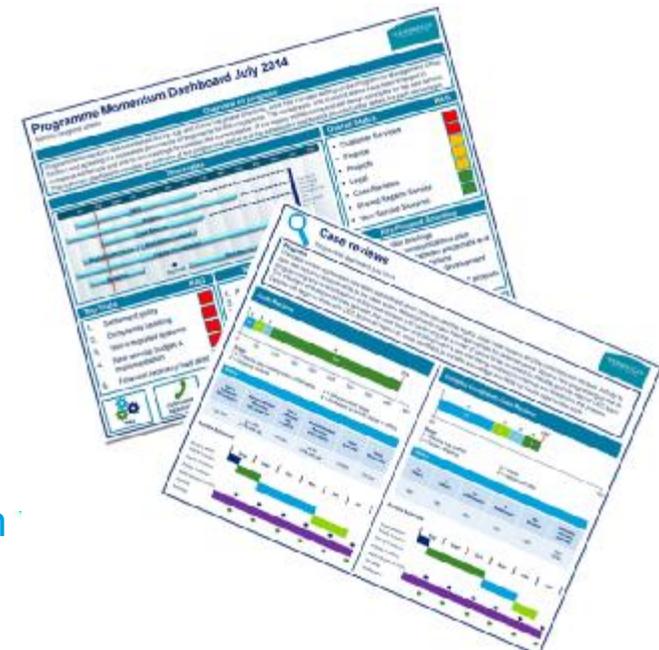
PMO | Success Criteria

Improve the structure, cohesion and efficiency of the programme workstreams, provide consistent and reliable management information and improve stakeholder engagement.



Progress...

- § Programme team restructured
- § Additional resource on-board
- § Process improvements implemented
- § Management information produced (consistent data set)
- § Regular reporting to committee
- § Better visibility for elected members
- § Creation of new policy guidance (settlements, debt recovery)
- § Centralised accommodation leading to improved collaboration
- § Transition plan established from legacy to new service





Case Reviews | Success Criteria

All legacy Project Joule and complaints cases reviewed with the position fixed and cases passed through for defect work, settlements and billing.



Progress...

§ 414 unbilled cases reviewed

§ 102 complaints cases reviewed

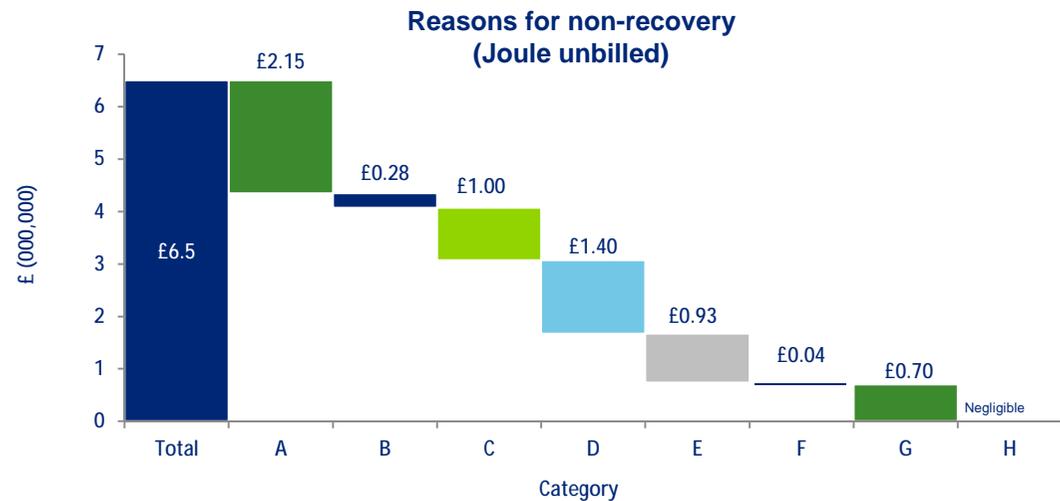
§ £16.1m total billable

§ £6.5m irrecoverable (28%)

§ £10.7m billed to date

§ £5.1m recovered to date

§ £1m settlements approved to date



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



Finance | Success Criteria

All legitimately recoverable invoices relating to Project Joule and complaints cases issued and unsuspended. Successful interface into debt recovery process

Progress...

 **£10.7m billed & £5.1m recovered**

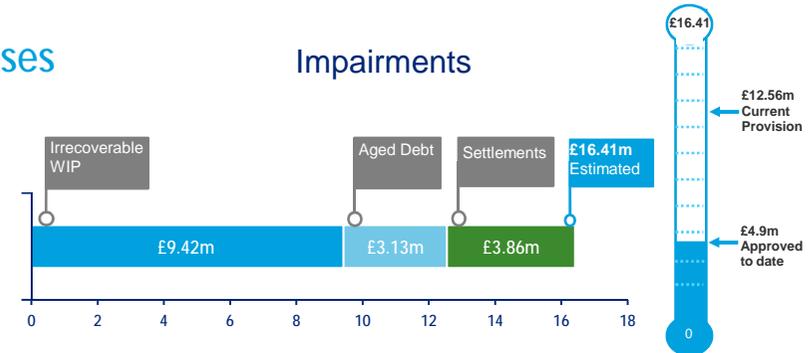
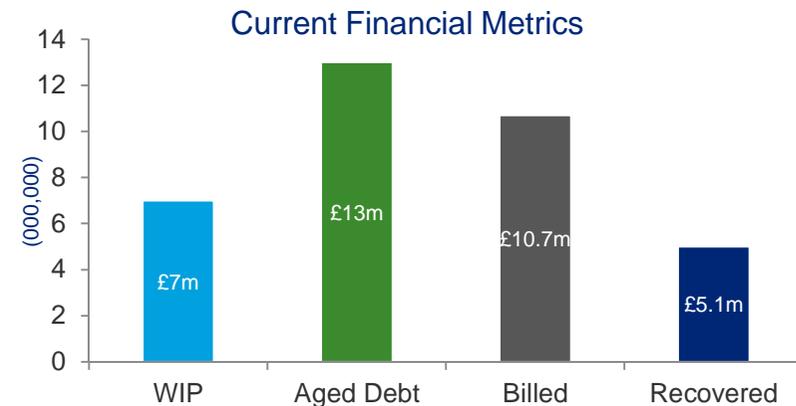
 **£3.8m written off since Jan 14**

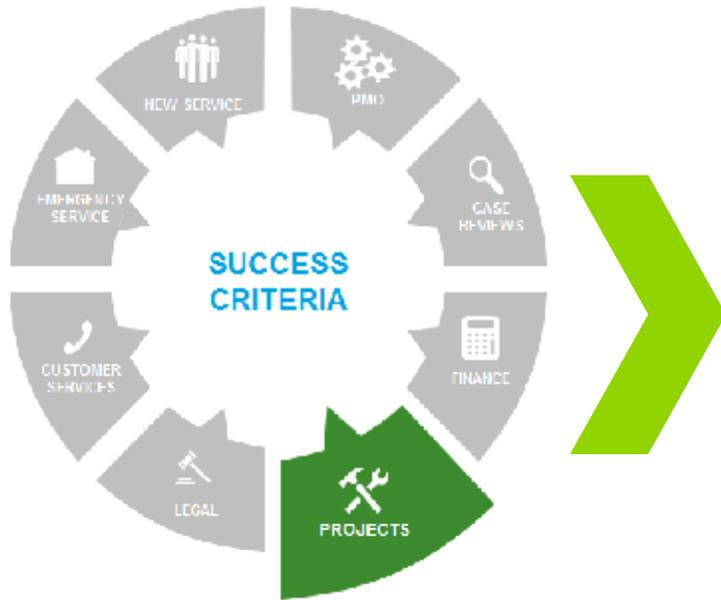
 **£1m settlements approved**

 **62% average recovery on reviewed cases**

 **New finance database (consistent data set)**

 **Improved collaboration with corporate finance (integrated legal / debt recovery processes)**





Projects | Success Criteria

All defect and legacy project work completed, with projects function transferred to the new shared repairs service.



Progress...

 70 projects completed

 £2m expenditure to date
 £800k Recoverable
 £1.2m Irrecoverable

 35 ongoing projects

 £6.8m released into billing following defects rectification





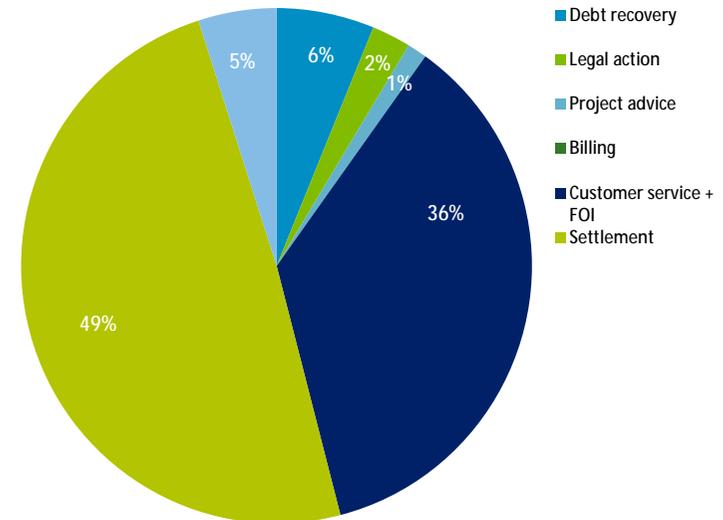
Legal | Success Criteria

The provision of support and direction for any legal action arising from legacy service cases and assurance of the operational model for the new shared repairs service.

Progress...

- § Dedicated legal resource established
- § Improved monitoring of case progress
- § Integrated legal and debt recovery process implemented
- § **58** cases closed
- § **75** ongoing cases
- § **55** undefended (debt recovery)
- § **18** defended (debt recovery)
- § **2** actions raised by owners

Legal Support Workload





Customer Services | Success Criteria

The implementation of an efficient multi media customer service model with embedded skills and resources to deal with all customer interfaces relating to statutory notices

Progress...

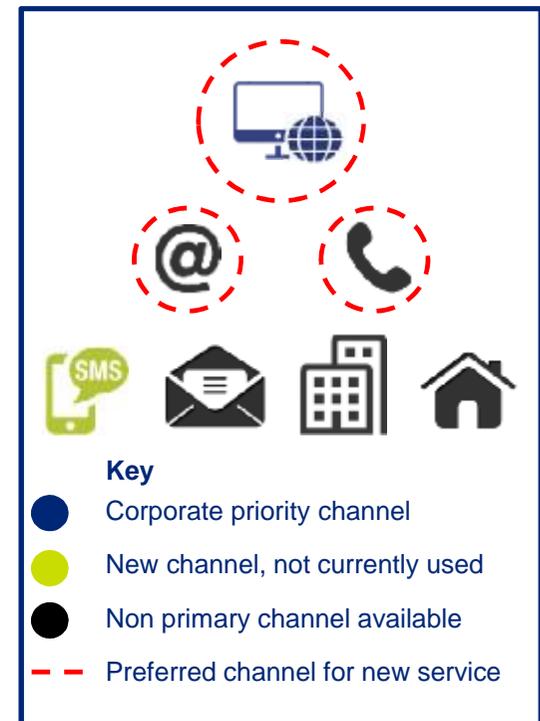
- § New single point customer gateway established:
 - § Multi-disciplinary customer team with new leadership
 - § Dedicated email address
 - § Website page created
 - § Aligned with wider channel shift programme

 **900+** customer contacts per month

 **60** average complaints per month

 **20** elected member contacts per month

 **20** FOI requests processed per month





Emergency Repairs | Success Criteria

Ongoing management of the service and successful integration into the new shared repairs service



Progress...

- § 300 advice requests per month
- § 60 notices served per month
- § £270k expenditure (year to date)
- § £220k income received (year to date)
- § Service review underway
- § Type of work →



SHARED REPAIRS SERVICE EDINBURGH

Working together
Organising shared repairs

EDINBURGH
The Development Authority

Title deeds
Your responsibility for shared repairs will be divided if you title deeds. Title deeds show who owns the property and what it includes - including your boundaries and obligations to other owners. The title deeds often come with a deed of conditions. This document assigns your responsibility for shared repairs and how decisions are made.

Where can I get my title deeds?
If you don't already have them, your property manager, solicitor or building society may be able to point you in the right direction.

What if there are no deeds or they don't contain the information you expect?
If there is nothing in your title deeds which refers to shared repairs then the Tenements (Scotland) Act 2010 might apply. The Tenements Act makes some shared parts of the building 'as if' in good repair. It can be used to give you rights to work on the common parts of the building. However, the deeds always take priority. Your solicitor should be able to advise you if your title deeds are not up to date. You can also contact the Shared Repairs Service for our leaflet 'Shared repairs and your title deeds' or go to www.edinburgh.gov.uk/sharedrepairs.

Useful contacts

Neighbourhood Office
www.edinburgh.gov.uk

City Centre
Cameron Walk
200 High Street
EH1 1AF
0131 557 944

Leith
Leith Library
200 York Road
EH6 4AF
0131 557 9100

North
10 West Pilton Gardens
EH4 4DF
0131 557 5100

West
16 Green Bank Drive
EH4 4TE
0131 557 5100

South
40 Lauriston Road
EH4 4NR
0131 557 5100

South West
45 Bonhill Place
EH4 4ET
0131 557 5100

West
110 Bield in Plains Road
EH4 4DZ
0131 557 5100

Shared Repairs Service
0131 557 9100
www.edinburgh.gov.uk/sharedrepairs

Registers of Scotland
0131 557 9100
www.rsg.gov.uk

Edinburgh Community Mediation Service
0131 557 9100
www.sack.org.uk

KEEP IT FRIENDLY
We can all do our part to make it easier to get things done. We can all do our part to make it easier to get things done. We can all do our part to make it easier to get things done.



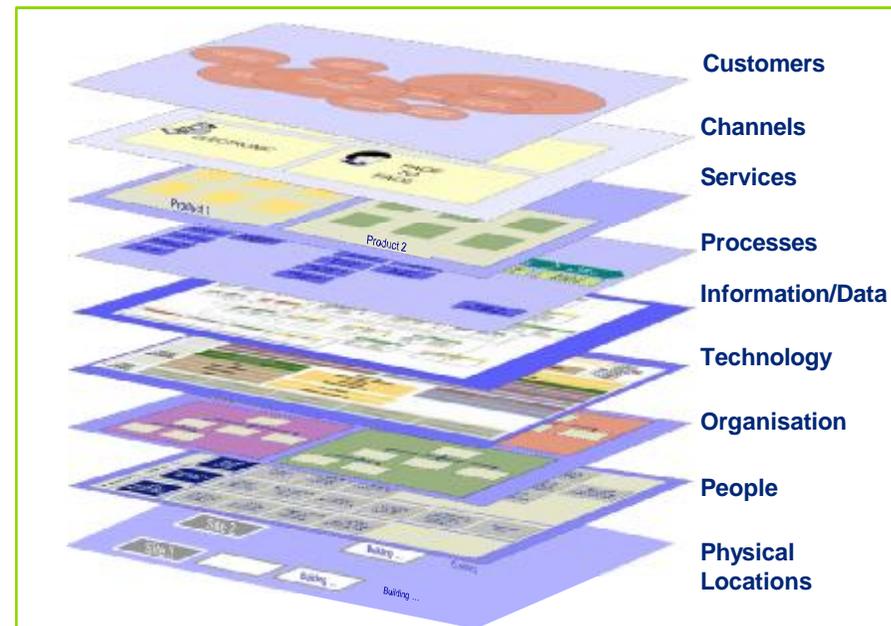
New Service | Success Criteria

The production of a robust costed business plan and subsequent implementation of the new shared repairs service



Progress...

- § New Service Blueprint completed
- § Costed Business Plan completed
- § Implementation Plan completed
- § Full Council approval 11/12/14
- § Budget approval (reduced) 12/02/15
- § Consultant support roles procured
- § Service & staff review commenced
- § Recruitment (on-hold pending budget options)
- § ICT support engaged



Remaining challenges/ risks

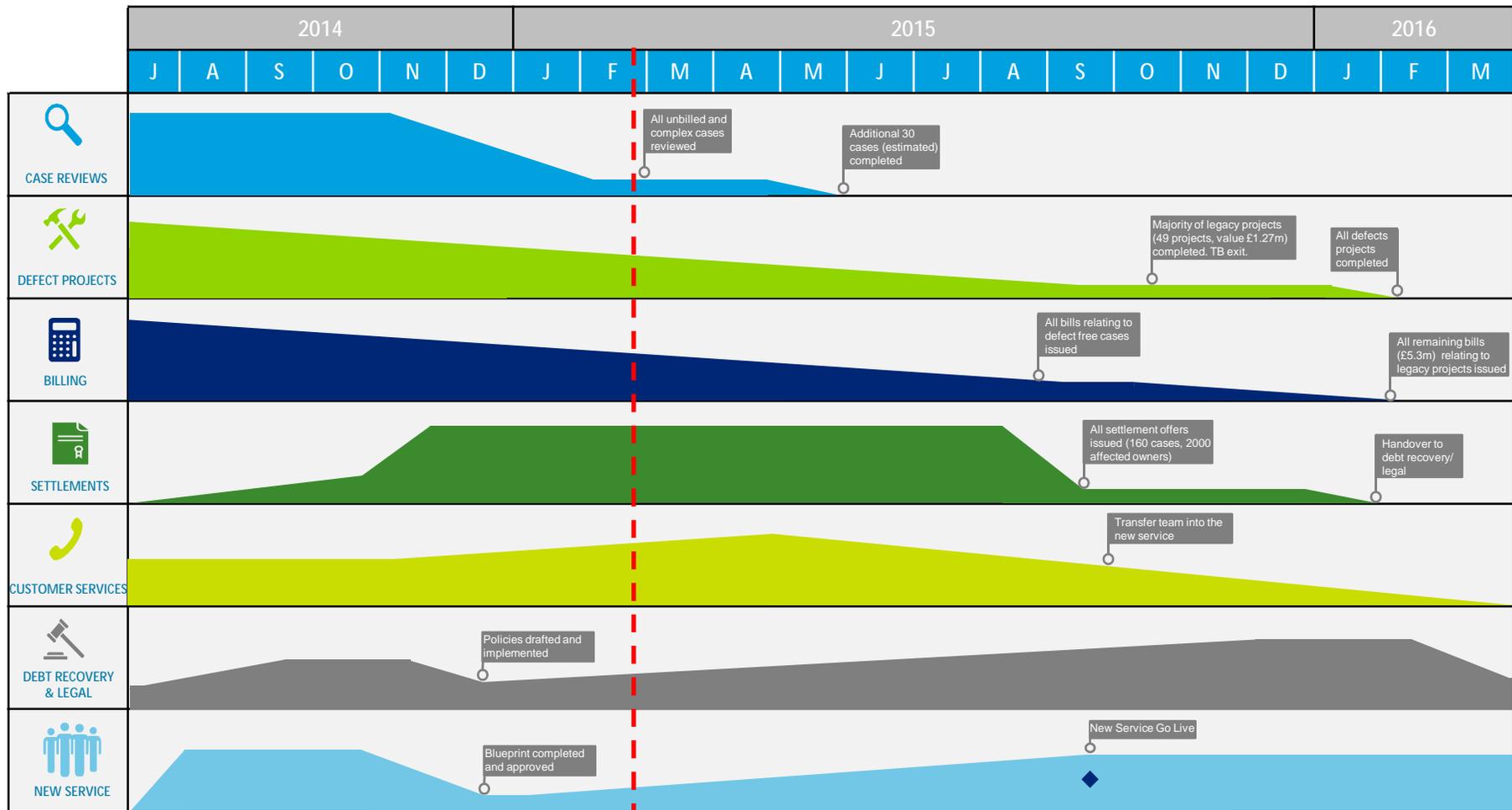
Whilst there has been much progress over the last 6 months, the programme team recognise the remaining challenges to both the legacy closure programme and new service implementation. The key risks/ challenges are outlined below, however the risks relating to the new service are covered in more detail in a separate paper for the March Finance and Resources Committee.

Title	Risk	Mitigation	Impact	Likelihood
Legal challenge	Court cases have the potential to undermine the Councils agreed position	Continued monitoring and early preparation for pending court cases to ensure the Council's position is robustly defended		
Political	Elected member support for the programme declines and undermines the process	Continued all party engagement and communications to ensure political support is maintained through the final stages of the programme		
Settlement process	Multi-stage process with a high risk of human error	A detailed settlement process has been implemented and resources obtained to ensure the workload can be managed		
Resource recruitment/ retention	Reallocation of staff and declining consultancy support may impact the legacy closure programme	Ensure programme board are notified of any potential redeployment of staff to ensure early intervention if required. Keep consultancy input requirements under review		
Legacy budget	The provision/reserve for legacy funding could be exceeded	Ensure budget requirements and risks continue to be articulated, monitored and reported on a monthly basis		
Provision for impairments	Current provision of £12.5m is estimated to be exceeded by c.£4m	Continued monitoring of impairments and adjustment of provision as required		
Remaining cases	The last batch of cases completing the case review process are high profile, high value cases which will impact other workstreams	Early assessment of follow up actions on completion of all case reviews so resource requirements can be anticipated and planned		
New Service	Budget constraints and the inability to recruit may impact the launch of the new shared repairs service	Options paper to F&R Committee to agree the way forward with the budget allocated. Coordinated Recruitment campaign launched and live to attract applications.		

Estimated remaining activity

The diagram below shows the activity volume and progress to date and the anticipated programme to closure.

-  c.30 additional cases
-  160 cases to issue settlements (2000 affected owners)
-  35 remaining defect projects (£1.27m value)
-  £13m debt recovery remaining
-  £8.2m left to invoice
-  75 ongoing debt recovery / legal cases
-  £3m remaining irrecoverable WIP to approve
-  Ongoing customer requests and complaints



Legacy closure – financial projections

Below are the estimated financial projections to completion of the legacy closure programme.

