

Finance and Resources Committee

10.00am, Thursday 19 March 2015

Shared Repairs Service – Revised Implementation Plan

Item number	7.25
Report number	
Executive/routine	
Wards	

Executive summary

In December 2014, the City of Edinburgh Council considered a report on the establishment of the new Shared Repairs Service, which included a service blueprint, costed business plan and implementation plan.

The report provided a detailed picture of the proposed service and the budget required to support it. This budget was estimated at £2.16million for 2015/16. The report was approved, subject to funding being identified as part of the budget setting process in February 2015.

On 12 February 2015, the Council met to agree its budget for 2015/16. Council was unable to allocate the full budget of £2.16million and instead approved the provision of £1.5million for 2015/16.

There are a number of other issues affecting the implementation timeline for the new service, including challenges with recruitment and the development of new IT systems. In light of these issues and the budget pressure, it is necessary to adjust the

Links

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

implementation plan to reflect the current situation. This report sets out a number of options, which include:

- Delaying the full launch of the new service but piloting a number of new projects prior to full implementation
- Reducing the volume of projects taken on by the new service
- Withdrawing non-income generating services from the new service
- Retaining an existing emergency service only

This report seeks a decision from Committee on which of the options it wishes to pursue.

Shared Repairs Service – Revised Implementation Plan

Recommendations

- 1.1 Committee is requested to:
 - 1.1.1 note that the full service as detailed in the original blueprint cannot be delivered by September 2015 with the reduced level of funding;
 - 1.1.2 approve option 1 which pilots the service from September 2015 in line with the target implementation date, but sees the delay of full launch until March 2016; retain the emergency service in the interim period; and
 - 1.1.3 note that proceeding with option 1 incurs an investment of £1.5million in 2015/16 and effectively commits the Council to an expenditure of £1.54 million in 2016/17 or risks significant abortive costs being incurred.

Background

- 2.1 In December 2014, Council considered a report on the development of the Shared Repairs Service. A detailed service blueprint was presented, which set out the plan for the re-introduction of a repairs enforcement service. This was accompanied by a fully costed business plan and implementation plan.
- 2.2 There are significant inherent risks associated with the introduction of this service. Action has been taken throughout the design process to mitigate these as far as possible. The funding requirement detailed in the costed business plan is considered essential to ensure the provision of a customer focused and efficient service, which takes on board the lessons learned from the former Property Conservation.
- 2.3 The costed business plan projected that the service would require to be subsidised by Council as outlined below:
 - 2014/15 - £0.51million
 - 2015/16 - £2.16million
 - 2016/17 - £1.43million

- 2.4 Council approved the implementation of the new Shared Repairs Service as outlined in the report, subject to funding for 2015/16 being identified as part of the budget setting process in February 2015.
- 2.5 On 12 February 2015, Council met to agree its budget for 2015/16. Due to funding pressures elsewhere, Council was unable to allocate the full £2.16million and instead approved a reduced figure of £1.5million. It is not possible to deliver the full service as originally outlined in the blueprint by September 2015 with this reduced level of funding.
- 2.6 There are some further issues causing delay to the full implementation of the new service, including recruitment and the development of IT systems. This report has been prepared to present the options which are now available.

Main report

Implications of the Budget Reduction

- 3.1 The Shared Repairs Service budget for 2015/16 has been set at £1.5million by Council. This is a reduction of £660,000 on the funding requirement outlined in the costed business plan, which represents a 30% overall reduction.
- 3.2 By way of illustration, the reduction of £660,000 equates to approximately 60% of the 2015/16 staffing budget for the service, or almost the entire budget set aside for the development and introduction of new IT systems.
- 3.3 An extensive list of lessons learned from the collapse of the former Property Conservation Service was reported to Council on 13 March 2013. This covered a range of failures relating to people, processes, systems and inherent risks of the business. In order to ensure these issues do not arise again, it is vital that the new service invests appropriately in implementation, IT systems and staff.
- 3.4 It is not possible to deliver the type of service outlined in the blueprint by September 2015 with this reduced level of funding and still protect the Council against significant levels of financial and reputational risk.
- 3.5 In addition to the reduced budget, there are other issues affecting the implementation of the new service. Recruitment has proved to be difficult, with an initial attempt to recruit a number of building surveyors being unsuccessful. A wide ranging and well targeted recruitment drive is now underway for a number of posts. The outcome of this is not yet known, however this has already caused some delay to the intended recruitment timetable. If it is not possible to fill the posts from this recruitment drive, then it will be necessary to pursue a co-sourcing model. The procurement of this will add a further delay to the implementation plan.
- 3.6 The blueprint approved by Council in December 2014 set out high level plans for the implementation of the IT architecture required to support the new service. This workstream is progressing, but it is now clear that the new IT systems will

not be in place by September 2015. There are risks associated with progressing with the full launch of the service without the appropriate IT being in place to support it.

- 3.7 The plans for the launch of an expanded Shared Repairs Service need to be revisited in light of both the budget pressure and the issues outlined above. Potential alternative options are outlined below.

Option 1 - Pilot Service in Advance of Full Launch

- 3.8 The full operational launch date for the new service could be delayed so that more of the operational costs can be met from the 2016/17 budget rather than the 2015/16 budget, allowing a period of time to pilot some projects and test the processes and controls.
- 3.9 The £1.5million budget already identified for 2015/16 would allow the existing emergency service to continue to operate. It would allow the new senior management team and some other key posts to be recruited and implementation activity to press ahead, including the investment in new IT systems to support the service.
- 3.10 The benefits of this option are that the service is given additional time to set up and mobilise and successfully recruit the required staff. It also becomes more likely that IT development will be completed by the go-live date or shortly afterwards, although it is possible that the procurement process for the Council's IT support provider may adversely impact on this. In addition, this timescale would allow for the remaining legacy cases to be closed before the new service is launched, which would provide a cleaner break between the two.
- 3.11 This option would offer the opportunity to progress a limited number of projects from September 2015, allowing the service to test the processes and controls and, if necessary, refine and improve them before March 2016. This would help to strengthen both risk management and the standards of service offered to customers.
- 3.12 Budget would not however be available to recruit and train the remainder of the staff until the end of March 2016. This would mean that the full operational launch for the new service would have to be postponed until that time, which is a 6 month delay to the date proposed in the December 2014 report to Council.
- 3.13 It should be noted that this option delays rather than removes the funding requirement and is dependent upon Council being able to set aside a further £1.54million in 2016/17. If this is not possible, significant abortive costs will be incurred.
- 3.14 This is the recommended option and if Committee decides to pursue this, a further detailed report will be presented to the next Committee meeting setting out the implementation timeline, associated costs and risks.

Option 2 - Reduce the Volume of Projects Taken on by the New Service

- 3.15 The business plan has been analysed to determine whether the budget pressure can be managed through restricting the volume of work that the new service takes on in 2015/16.
- 3.16 Whilst restricting the volume of projects means that staff volume can be reduced, it also means that the service receives less income from administration fees charged to owners. The net effect of this means that reducing projects by 50% (ie. the service would complete 88 projects a year rather than 175) actually delivers a budget saving of just £180,000, equivalent to 8%.
- 3.17 It is therefore not possible to manage the budget reduction through a reduction in project volume alone.

Option 3 - Withdraw Non-Income Generating Services

- 3.18 It would be possible to alter the scope of the proposed service to reduce or completely withdraw non income generating activity undertaken by the Shared Repairs Service, leaving only the enforcement related elements of the service which are self funding. The business plan judges that £1.04million of expenditure in 2015/16 is not directly related to enforcement of repairs and as such, is not recoverable from owners under the City of Edinburgh Council District Order Confirmation Act (1991).
- 3.19 The non-recoverable costs of the new service are associated with the provision of advice, guidance and intervention services. The blueprint identified that this activity was necessary to drive a culture change whereby owners are encouraged and supported to take on responsibility for their own repairs. Helping to effect this culture change was identified as one of the key objectives of the new service.
- 3.20 Withdrawing advice, guidance and intervention carries a number of risks. These include:
- currently, around 300 customers a month contact the Shared Repairs Service seeking advice and information only, rather than the serving of a statutory notice. Withdrawing the advice service will remove a valuable resource from those responsible owners who simply require some assistance to be able to carry out their own repairs. Furthermore, the Council will struggle to achieve its objective of driving a culture change by providing a service which deals only with enforcement;
 - providing an enforcement only service, without investing in customer centred advice and assistance risks repeating many of the mistakes of the former Property Conservation; and
 - the Shared Repairs Service is a significant part of the Council's Scheme of Assistance, which the Council is required to publish under the Housing (Scotland) Act 2006. The Scheme of Assistance (and indeed the overall policy direction of the Council and Scottish Government over recent

years) places an emphasis on support and preventative action to avoid the need for more costly statutory enforcement. The withdrawal of advice, guidance and intervention services would significantly weaken that position and expose the Council to greater risk.

- 3.21 If Committee decides to pursue this enforcement only option, further work will be required to fully evaluate the scope of service, implications and associated costs. It would not be possible to launch an enforcement only service in September 2015 and it is suggested that a further report be presented to the next Committee meeting setting out the detail of the service and the implementation timeline.

Option 4 - Retain Existing Emergency Repairs Service Only

- 3.22 In light of the budget pressure and risks associated with this service, plans for further expansion could be cancelled until such times as the financial position is more certain. The existing Shared Repairs Service, which provides advice and information and a 24/7 emergency response service, could be maintained but all activity around implementation of an essential repairs service cease.
- 3.23 The existing Shared Repairs Service costs approximately £500,000 per annum.
- 3.24 A separate, part-year budget of £138,000 has been agreed for the existing Shared Repairs Service for 2015/16 (intended to cover the cost until the point at which it merged with the new service). As such, the additional funding required to maintain the existing service for the full year would be £362,000. This option would therefore deliver a budget saving of £1.138million against the £1.5million budget allocation agreed on 12 February 2015.
- 3.25 Customer consultation has confirmed that there is a clear need for an essential repairs enforcement service in the city and expectations have been raised in recent months. There are likely to be reputational issues associated with its cancellation. Furthermore, restricting the service to deal with emergencies only will likely mean that private property condition in the city continues to deteriorate.

Other Budget Pressures - Slippage

- 3.26 In addition to the reduced budget allocation, there are other financial pressures facing the new service.
- 3.27 The original baseline business plan assumed that £0.51million would be spent in 2014/15 on implementation activity.
- 3.28 It is now projected that only £200,000 will be spent by the end of this financial year, which means slippage of £310,000. There are two main reasons for this. Firstly, the procurement of external consultants to support the implementation took longer than anticipated. Secondly, while work has commenced on the development of ICT systems, this is still at scoping stage and there has been no significant spend incurred as yet for development and configuration. In the current circumstances and dependent on what the committee decides this slippage may prove to be beneficial from a financial perspective, however in the

event that the Council opt for option one then the additional £310,000 budget would still be required . However, this would then need to be allowed for in the budget for 2015/16 and, to a lesser extent, 2016/17.

Other Budget Pressures – Co-Sourcing

- 3.29 Committee has previously been advised of concerns regarding the Council's ability to attract and retain skilled and qualified surveyors for the new service. An initial recruitment exercise in early January which sought to recruit 3 building surveyors was not successful.
- 3.30 The implementation team has recently been working with colleagues in Corporate Communications and Organisational Development on a more targeted and high profile recruitment campaign to attract candidates for a number of technical posts.
- 3.31 In the event that this recruitment proves unsuccessful and, assuming that Committee still wishes to proceed with implementation of the service as outlined in the blueprint, it may be necessary to consider a co-sourcing arrangement with a private surveying firm to fill the posts. This would carry significant additional costs in comparison with the internal staff team proposed in the business plan. Some initial market testing has been carried out to determine if there is a market interest in this sort of arrangement and early indications are that it would be attractive to some companies.
- 3.32 It should be noted that it would take time to procure a co-source partner and while the additional costs could vary greatly depending on the number and seniority of posts which need to be filled, it is clear that the cost could not be met from the existing budget.
- 3.33 The current recruitment drive needs to be completed and a decision reached on the options outlined above before the extent of this budget pressure can be fully quantified.

Measures of success

- 4.1 Performance indicators will be developed for the full end to end service as part of the implementation activity. These will be used to measure the success of the service and will include financial, service quality and strategic factors.

Financial impact

- 5.1 The budget set aside for the new Shared Repairs Service for 2015/16 is £1.5million. This is £660,000 less than the budget requirement outlined in the costed business plan which was presented to Council in November 2014.
- 5.2 In addition to this budget reduction there is a further budget pressure of £310,000 due to programme slippage and an as yet un-quantified budget

pressure relating to the potential need to enter into a co-sourcing contract to fill some or all of the surveying posts.

- 5.3 The service as outlined in the blueprint and cost plan which was approved by Council in December 2014 cannot be delivered in the context of this reduced funding and a decision is needed on how to progress.

Risk, policy, compliance and governance impact

- 6.1 There are significant inherent risks associated with the introduction of this service. The blueprint was specifically designed to mitigate these as far as possible and the costed business plan estimates the budget which is required to do so effectively.
- 6.2 Reducing the budget available to support the implementation and operation of this service significantly increases the risk of repeating the mistakes of the former Property Conservation Service.
- 6.3 Delaying the full launch of the service would provide time to test and refine processes and controls to ensure that risk to the Council can be minimised.

Equalities impact

- 7.1 An equalities impact assessment has been completed as part of the blueprint design process.

Sustainability impact

- 8.1 The introduction of the expanded Shared Repairs Service would contribute to sustainability objectives by helping to preserve the built heritage and improving the fabric of the city.

Consultation and engagement

- 9.1 A series of customer focus groups were held over the summer of 2014 to inform the design of the new service.

Background reading/external references

[Shared Repairs Service - Development of a New Service, Report to Council 11 December 2014](#)

[Former Property Conservation Service - Establishment of a New Service, Report to Council 13 March 2014](#)

Alastair Maclean

Director of Corporate Governance

Contact: Jessica Brown, Implementation Manager

E-mail: Jessica.brown@edinburgh.gov.uk | Tel: 0131 529 4946

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	