

Finance and Resources Committee

10.00am, Thursday, 4 June 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.18
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 progress in respect of financial recovery.
 - 1.1.3 To note progress on the new debt recovery arrangement with Morton Fraser and to note that the level of outstanding debt will increase initially as the remaining bills are issued and the billing process draws to a close.

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.
- 2.2 This report gives details of progress to the end of April 2015.

Main report

Management information

- 3.1 Management Information as at 25 April 2015 is attached in Appendix 1.

Financial Recovery

- 3.2 Billing is progressing well with £13.4million invoiced from Deloitte reviewed cases. Current recovery on this debt is £6.4 million, with a further £7 million outstanding. There remains £4.4million of Deloitte assessed cases to be invoiced. It is anticipated that invoicing will be concluded in summer 2015, with the exception of 2 projects where defect works are being undertaken.

Debt Recovery

- 3.3 The new debt recovery arrangements with Morton Fraser commenced on 1 April 2015. A pilot batch of 20 customer cases with a collective debt value of £390,771 was issued to Morton Fraser as part of the new collection/recovery process. At the time of writing and following the issue of an initial letter to customers, 2 of these case have been paid in full and a further 3 customers have queried the invoice. Morton Fraser will now issue the other 15 owners with a 7 day 'Letter Before Action' (LBA). If there is no response to the LBA, Morton

Fraser will approach the sheriff court for court dates and will instruct the sheriff officer to issue a court summons in respect of the outstanding debt.

- 3.4 At the time of writing there are 2,007 invoices with a value of £8,492,569 to be passed to Morton Fraser for recovery action. This represents approximately 700 debtors on the basis of an average 3 invoices per customer. The outstanding amounts will be passed to Morton Fraser on the basis of 100 customers per month. Given the limitations of the Council's current debt recovery IT system, each batch must be prepared as a manual bundle, consisting of a number of invoices per customer, with the value of each batch determined prior to issue. All customers will be sent a letter detailing the amount due and ways to pay before further action is taken. The initial batches are selected on the basis of those statutory notice projects that have been the subject of an independent case review by Deloitte Real Estate.
- 3.5 Committee is asked to note progress on the new debt recovery arrangement with Morton Fraser and to note that the level of outstanding debt will increase initially as the remaining bills are issued and the billing process draws to a close.

Complaint Resolution & Settlements

- 3.6 As at the time of writing 130 complaints have been closed as part of the settlement process previously reported to Committee. This represents closure in respect of 35% of the 374 historic complaints. A further 24% of owners have been issued with a settlement letter but have yet to respond within the timescales set. The remaining 41% of complainants will receive a settlement letter by summer, with the 6 additional complex complaints anticipated from Deloitte late summer.
- 3.7 Closure across the 130 complaints is comprised of:
- 98 complainants accepting settlement
 - 23 complainants refusing settlement
 - 9 complainants not responding to the settlement

Almost all cases where an owner has refused or not responded to a settlement involve cases where an invoice has yet to be issued or cases which have outstanding debts. These complaints are now considered closed and are being pursued through debt recovery at the reduced amount. There is a single case where a settlement that involves a repayment has been offered to a complainant and the complainant has refused to accept this settlement.

- 3.8 Settlements to all other affected owners (non-complainants) are progressing, with 650 of approximately 2,000 owners issued with settlement. Of the 650, 149 individual settlements have been closed. 147 owners have accepted settlement and 2 owners have refused settlement.

New Service update

IT Delivery Plan

- 3.9 As part of the blueprint development, initial work was completed by Deloitte LLP to assess the IT requirements of the new service. The blueprint acknowledged that the requirements of the Shared Repairs Service are unique and as such, there are no existing IT packages which directly meet our needs.
- 3.10 Work is continuing to assess the most appropriate case management system to support the new service. The project team is working with ICT Solutions to produce a detailed functional requirements specification. This document will be provided to the suppliers of the four main case management systems already in use within the Council – Civica APP, Uniform, Confirm and CAFM. Recommendations can then be developed around the most appropriate system and the timeline and cost of implementation.
- 3.11 In addition to case management, it is also essential that the new service can provide effective account payment management. As such, any new case management software must be able to integrate with the Council's financial systems in a clear and simple manner. Committee should note that the wider ICT re-procurement which is currently underway is likely to result in a new Finance ICT solution. All design work needs to be mindful of this and the project team will need to ensure that it does not commit spend to integration which will have to be re-done in 18 months time.
- 3.12 A further update will be provided to the next meeting of Committee.

Procurement of Contactors

- 3.13 The revised timescale for the full launch of the expanded Shared Repairs Service provides the opportunity to carry out further due diligence and ensure that the procurement strategy takes account of the specific context of statutory notice work. The procurement strategy will be informed by lessons learned from the former service, market testing and a bidders' day. This is to ensure we drive contractor quality and best value. This workstream will be managed by the new Head of Surveying and a further update will be provided to the next meeting.
- 3.14 The service can use the existing process of mini competition via Quick Quote to procure contractors for repair works carried out during the pilot period. This is a transparent and fully auditable process.

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 £30 million require to be concluded and resolved.
- 5.2 On 19 March 2015, following the decision to make available a budget for 2015/16 of £1.5 million, the Finance and Resources Committee considered a report on the revised implementation plan for the new Shared Repairs Service. Committee approved option 1 which proposes launching the service on a pilot basis from 1 September 2015, with the full launch scheduled for late March 2016.
- 5.3 As a consequence of budget decisions the overall 2015/16 available budget for the legacy and new Shared Repairs Service is £3.9million.

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

[Report to Finance and Resources Committee, 19 March 2015 - Property Conservation - Programme Momentum Progress Report](#)

[Report to City of Edinburgh Council, 12 February 2015, Shared Repairs Services - Development of a New Service.](#)

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

Alastair Maclean

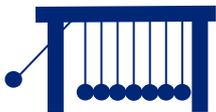
Director of Corporate Governance

Contact: Andrew Field, Head of Shared Repairs Service

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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



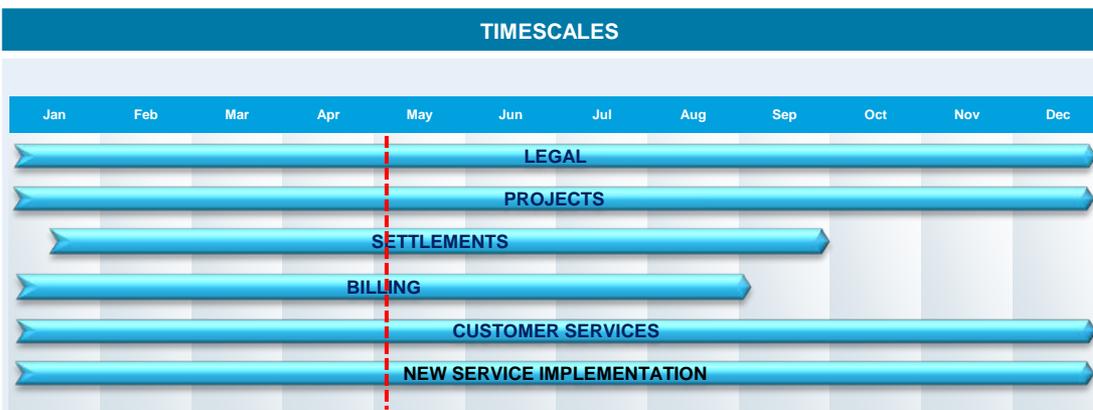
Programme Momentum Dashboard April 2015



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

OVERVIEW OF PROGRESS

All unbilled cases have been reviewed, as have the originally identified complex complaint cases. The new settlement process continues and is on target to compete in July 2015. Billing also continues and has now exceeded £13.4m and £6.4m received. Interviews for the Head of Surveying Services have taken place and the position has been offered to the preferred candidate. Progress is being made in key areas for the pilot of the new service in September 2015 with the full launch in March 2016.



TOP RISKS	MITIGATION	RAG
1. Debt Recovery – Aged Debt	Additional provisions have been made through the appointment of Morton Fraser .	Yellow
2. Recruitment	Attracting and retaining Building Surveyors remains a risk area - there is no longer an option to co-source	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. IT Systems	Steering Group established to progress IT workstream.	Yellow
6. Procurement	A full risk and cost/benefit analysis on procurement options is being undertaken.	Red

OVERALL STATUS	RAG	COMMENTS
CUSTOMER SERVICES	Yellow	Complaints decreasing but Councillor enquiries increasing. FOI requests also increasing.
FINANCE	Green	Financial reporting is consistent but limited data within systems complicates reporting.
PROJECTS	Green	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 progressing against target
EMERGENCY SERVICE	Green	Activities are well managed and there are no key risks or issues
NEW SERVICE	Red	Implementation activities have commenced. Procurement and Recruitment provision remain the key risks

INFORMATION / DECISIONS
1. Ongoing approvals of irrecoverable WIP and settlements
2. Ongoing resource projection for full legacy closure and implementation and operation of the new service
3. Briefings provided to all political party groups

KEY PLANNED ACTIVITIES
1. Progress new service development in light of new service budget decision
2. Continued client management and control of Morton Fraser in respect of aged debt.
3. Continued focus on escalation of billing and settlements activities
4. Procurement contractor framework analysis for the new service





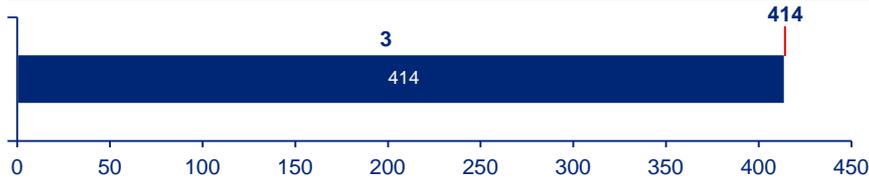
Case Reviews & Settlements

Programme dashboard as at 25 April 2015

Progress

The settlement process for complainants remains on target to be completed by Summer 2015, subject to an additional 6 cases anticipated from Deloitte in July 2015. Closure in respect of more than one third of all settlement cases has now been reached, with more than 60% of all complainants issued with settlement. More than 73% of complainants have accepted the offer of settlement. Settlements to other affected owners are progressing well with settlements communicated to 650 owners. Settlements to all other affected owners is anticipated to be complete by Autumn 2015.

Joule Reviews (unbilled projects)

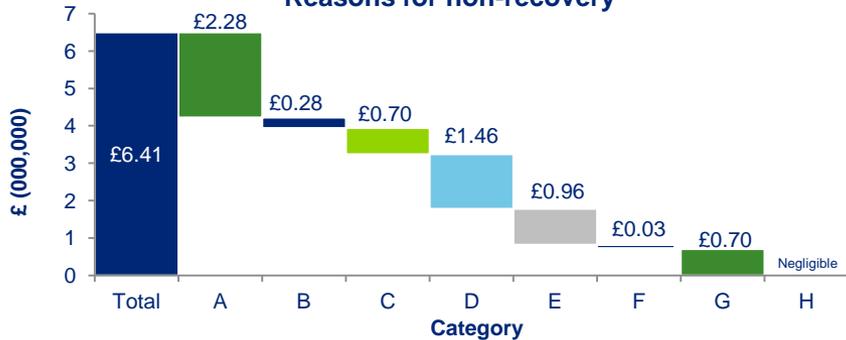


Stage
 1 = Projects with missing critical information 3 = Released for further action or billing
 2 = QA and panel stage

Metrics

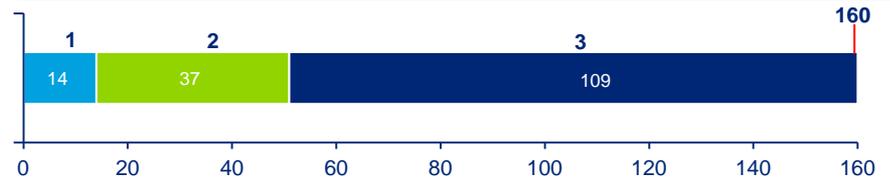
Value released 414 projects	Recommended Recovery 414 projects	Recommended Non- recovery 414 projects	Total Invoiced	Total Recovered
£22.47m	£16.0m	£6.47m (28.79% write off)	£13.4	£6.4m

Reasons for non-recovery



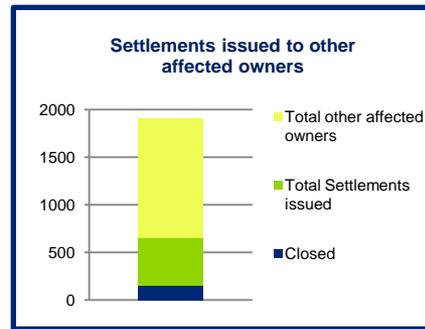
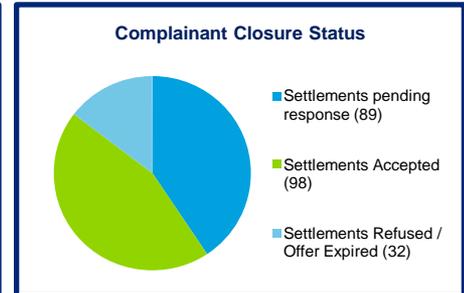
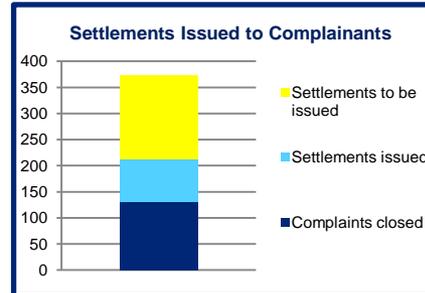
A = Work outside scope of Notice
 B = Incorrectly served Notice
 C = Insufficient documentation to support recovery
 D = Unverifiable costs
 E = Inappropriate use of Emergency Notice
 F = Third party costs not included on notice
 G = Problematic Contractual Conditions
 H = Equal divisibility per share

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	£1.882m
Settlements offered to date	£1.683m
Settlements paid to date	£254k



Finance

Programme dashboard as at 25 April 2015

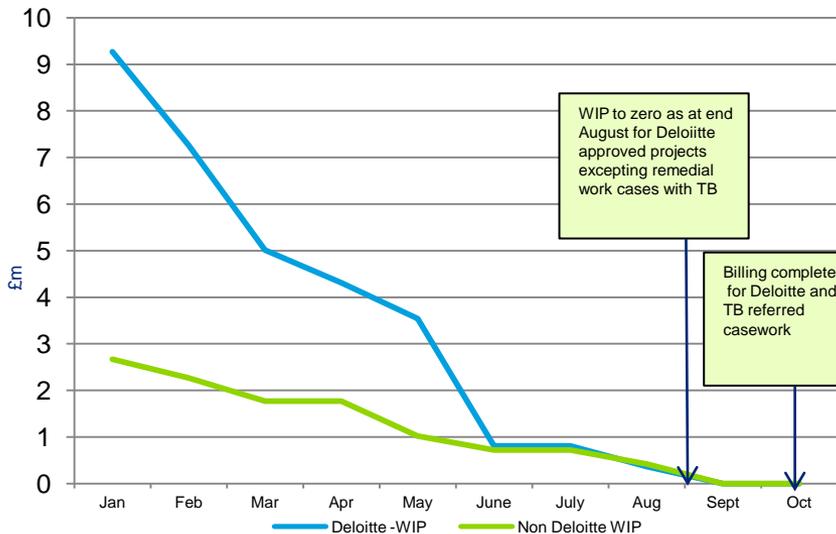
Progress

- Billing on Project Joule casework is nearing completion with 28 projects with a balance of £4.4m (including administration charge), as at 10 April 2015, remaining to be invoiced. Total WIP as at 25 April is £6.08m that includes Deloitte Project Joule WIP of £4.4m.
- WIP Projections have been undertaken to determine an end date for billing that reduces the WIP to zero. It is assessed that for Deloitte defect free cases all invoices will be billed by end of summer 2015 and the target date for resolving and billing those cases requiring defect works/case review by end September 2015.
- The full year forecast and variance for 15/16 will be developed as monthly expenditure is accrued against account.

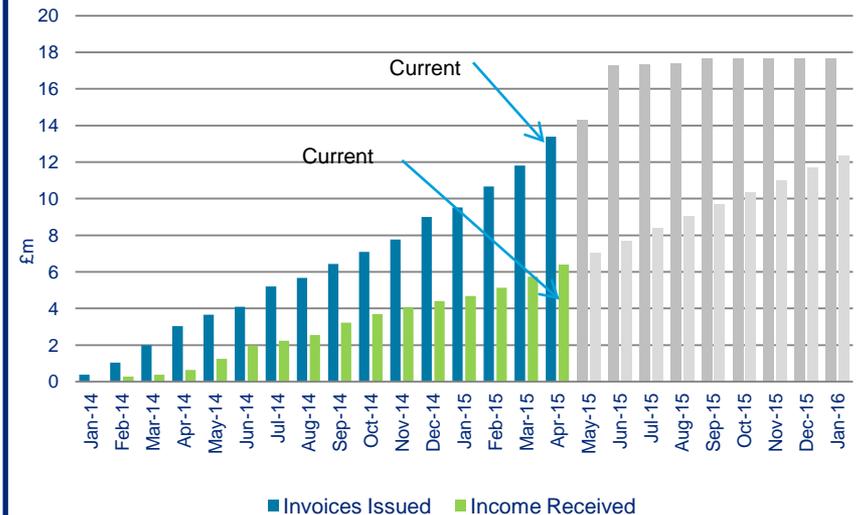
15/16 Budget Requirements

Summary	15/16 Revenue Budget	14/15 Actual
Closure Programme & Defect Remedy Costs	£2,261,709	£2,977,027
New Enforcement Service	£1,500,000	£581,959
Shared Repairs Service	£137,679	£452,224
TOTAL	£3,899,388	£4,011,209

Work in Progress



Projection of Deloitte Approved Statutory Notice Repair Debt





Legal & Debt Recovery

Programme dashboard as at 25 April 2015

Progress

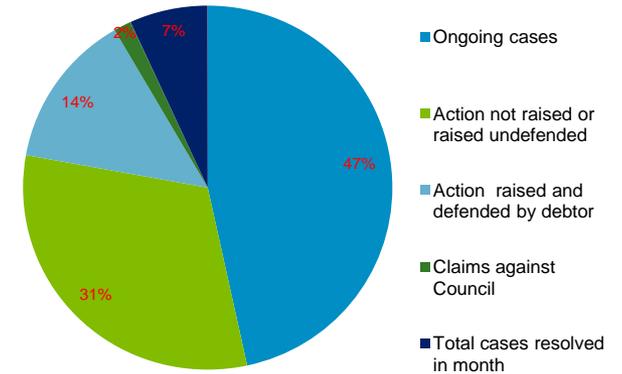
The scope of the existing contract with Morton Fraser has now been extended to include all statutory notice debt recovery under the revised debt recovery policy. It is anticipated that the number of debt recovery cases will increase as more projects are billed. The number of these cases which are contested to the extent that evidence requires to be heard in court are estimated to be less than five, albeit a significant higher number may not resolve themselves until shortly before evidence is due to be heard in court.

In the preceding 3 months, 20 debt recovery cases have been resolved. 16 of these were resolved in the Council's favour and 4 were not pursued. Of the 16 cases resolved in the Council's favour, 7 were resolved by way of a settlement agreement and 9 were resolved by the Court passing judgement in the Council's favour. However, as the owners did not contest the judgement being issued, the Court did not need to hear evidence from witnesses or hear legal arguments.

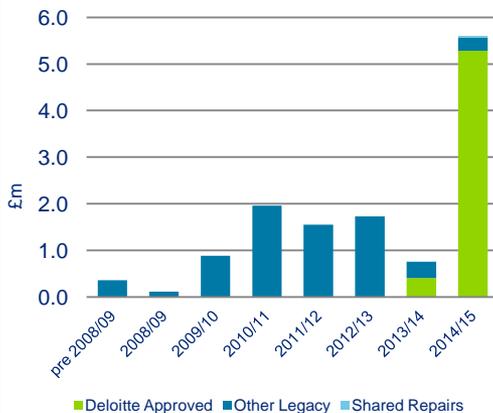
Legal Cases

	Feb 15	Mar 15	Apr 15
Total number of ongoing cases at month end	75	65	61
Debt pursued by Council - Action not raised or raised and undefended	55	44	41
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	6	6	9
Resolved by the Council of which (x) were settled out of court	5 (1)	5(1)	6(5)
Resolved against the Council of which (x) were settled out of court	0	0	1(1)
Not pursued - i.e. owner sequestrated, gone away etc	1	1	2

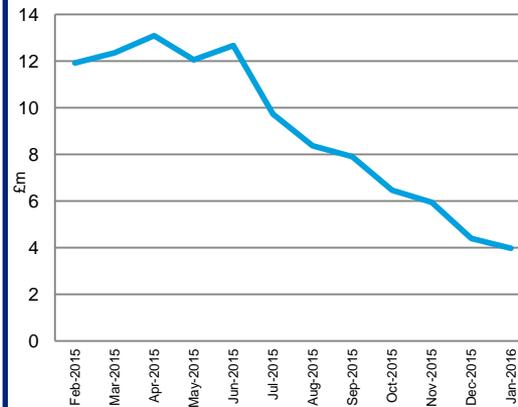
Legal Cases Across Legacy Service Apr 15



Aged Debt at 25 Apr- by year



Adjusted Aged Debt Profile



Aged Debt breakdown

Status	Deloitte Reviewed	Other Legacy	Shared Repairs	Total
Debt being pursued				
Active	£3,522,815	£11,592	£66,104	£3,600,511
Morton Fraser	£403,236	£1,059,305	£58	£1,462,599
Other Legal	£10,235	£8,413	£6,730	£25,378
Active instalments	£734,702	£462,523	£2,044	£1,199,269
Debt Scheduled for Action				
Suspended	£440,938	£4,375,681	£9,909	£4,826,529
Prepared for Legal	£1,848,686	£1,316,865	£143	£3,165,694
TOTAL	£6,960,612	£7,234,379	£84,988	£14,279,980

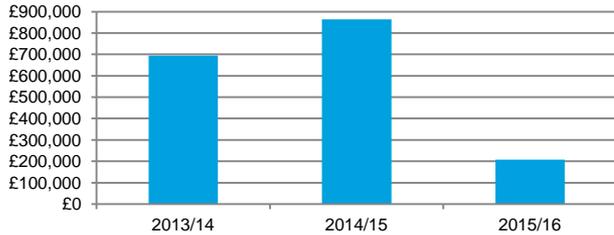


Projects

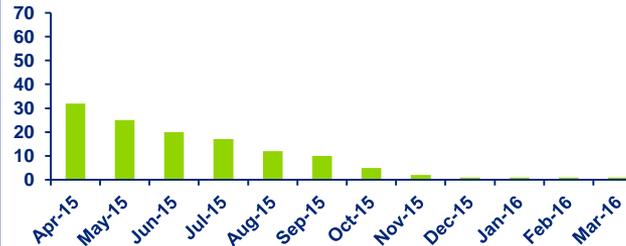
Programme dashboard as at 25 April 2015



Project Costs Incurred by the Council each year



Future Activity on Projects



Progress

Thomson Bethune continue to provide technical support to the programme including site surveys and reports, together with liaison with consultants and owners to bring cases to a close. Workload continues to show a reduction in volume of projects with almost all projects completed by Autumn 2015.

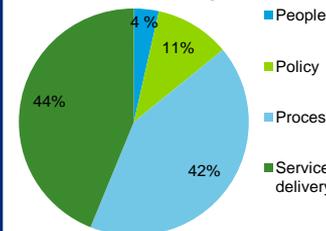


Customer Services

Programme dashboard as at 25 April 2015

CUSTOMER SERVICES KPI	Feb 15	Mar 15	Apr 15
No. of customer enquiries received	397	342	377
No. of customer enquiries closed	391	309	312
No. of solicitor enquiries	555	648	700
No. of customer complaints received	81	39	21
No of customer complaints closed	84	39	47
No of FOIs received new (reviews)	22	27	29

Types of complaints Closed Apr 15



Progress

CS continue to see high volumes of enquiries with Councillor enquiries continuing to increase. More complaints are moving towards legal action. 294 Customers have enquired / complained regarding 6,153 Invoices issued to date, a complaint rate of 4.78% Solicitor enquiries continuing to grow with April our highest month to date. Complaints volumes continue to dip.



Shared repairs

Programme dashboard as at 25 April 2015

SHARED REPAIRS KPI	Feb 15	Mar 15	Apr 15	Trend
No of requests for advice/ info only.	303	251	203	↓
No. of service requests	82	110	97	↓
No of emergency repair inspections resulting in statutory notices issued	63	94	69	↓
No. of Emergency service requests where information/ advice was provided	19	16	28	↑
Value of invoices issued to owners for emergency repairs (cumulative)	272,035	297,994	586,359	↑
Value of income received from owners for emergency repairs (cumulative)	219,099	239,163	476,884	↑

Progress

The number of service requests for advice and information remain consistent however the number of emergency service requests are 10% higher than those requested in April last year.

The financial information on invoices issued and income received prior to April on the table does not include information pre 2014. This information is now available and the figure for this month now includes all SRS financial information to date.



New Service

Programme dashboard as at 25 April 2015

OVERVIEW OF PROGRESS

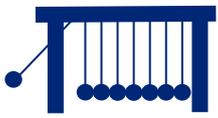
A budget of £1.5m has been allocated to the new service for 2015/16. Finance and Resources Committee approved for the service to be launched on a pilot basis from 1st September 2015, with the full launch delayed until 28th March 2016 with the emergency service retained in the interim period. The key milestones and critical path have now reviewed and baselined. The project's team focus is to deliver all resources required by the service by the launch of pilot projects in September with the exception of the procurement contract, final IT architecture and full staff team which will be in place for the launch of the full service in March 2016.



OVERALL STATUS	RAG	COMMENTS
Governance & Performance	Green	An initial list of MI has been developed and Performance Indicators will follow.
Communications	Green	Communication activity moved into early 2016. Development of new materials will be completed for the launch of pilot projects in September 2015.
Recruitment & Training	Green	The Head of Shared Repairs and Head of Surveying Services will be announced shortly as offers have been made. All other recruitment will now be on hold until November 2015.
IT	Yellow	Workshop scheduled for late April with potential provider of the case management system and IT PM Interviews scheduled w/c 27 April.
Processes & Procedures	Green	Detailed information trackers are continuing to be developed and are being used in all the process areas to commence the writing of procedure manuals and templates for the service. Technical manuals are moving forward at pace.
Accommodation & Equipment	Green	Accommodation team are to be updated as staffing profile changes between Legacy, current Shared Repairs and new team members.
Finance & Procurement	Yellow	Preferred option of a framework of Multi Trade Contractors is currently be developed with Corporate Procurement. Final budget for New Service is being formalised.

TOP RISKS	MITIGATION	RAG
1. Recruitment of Building Surveyors	Attracting and retaining Building Surveyors remains a risk area and the budget position means there is no longer an option to co-source. Revisit the recruitment strategy and identify additional approaches that are affordable, including head hunting. Head of Surveying will be in post and can lead the recruitment of the remaining team.	Red
2. Market interest in Contractor Framework	The procurement process is unable to attract quality contractors due to volume of forecast projects and low value of work. Corporate Procurement and Project Team are reviewing the most appropriate contract structure. A Bidders Day is planned to test market interest. Quick quotes can be used if required for early projects.	Red
3. Delay in implementing IT System	Implementation of the required IT architecture may be impacted by re-procurement of the Council IT provider, may result in the new service launching with legacy IT systems. Steering Group established to progress IT workstream with representatives from Corporate ICT, so this can be monitored.	Yellow

INFORMATION / DECISIONS
Programme Board 12/05/2015 – update on the Procurement Strategy
Programme Board 12/05/2015 – update on the IT development plan



Programme Momentum – Remaining Activity

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



PROGRESS AND FORECAST

Below, an activity volume forecast is provided below to show the progress since the Programme Momentum was established in July 2014 and the estimated remaining programme to close the legacy service and launch the new replacement service.

