

Finance and Resources Committee

10.00am, Thursday, 29 October 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.16
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 settlement sums authorised to complainants and other affected owners under delegated authority.
 - 1.1.3 To note the progress of debt recovery work.

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 September 2015.

Main report

Progress

- 3.1 Since the beginning of Programme Momentum in June 2014 there has been significant progress by the legacy team across all workstreams. There was £22m of outstanding debt to be billed in July 2014 which is now zero. The settlements process introduced in April has run successfully with to date over 80% of the cases reviewed.

Management information

- 3.2 Management Information as at 25 September 2015 is attached in Appendix 1.

Financial Recovery

Delegated Authority – Irrecoverable Sums & Settlements

- 3.3 The provision for impairment and for settlement repayments is £17.9m.
- 3.4 As at 25 September 2015 a total of £10.5m has been approved for write-off against the provision comprising irrecoverable sums of £6.7m, aged debt of £0.3m and settlements of £3.5m.
- 3.5 The total value of settlements to date is £3.5m.

- 3.6 These sums are contained within the overall Bad Debt and Irrecoverable Sums provision.
- 3.7 The provision remains subject to regular review by the Head of Edinburgh Shared Repairs, the Head of Finance and the Deputy Chief Executive.

Billing Process

- 3.8 As at 25 September 2015, billing on Deloitte reviewed cases has now reached £18m with £9.4m received in payments. The billing is now complete. The current average monthly repayment rate is 59%.
- 3.9 The remaining Work In Progress (WIP) figure is £262K which is all Non Deloitte (Legacy).

Debt Recovery

- 3.10 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 349 instructions have been issued to Morton Fraser with a total value of £3.7m for debt collection.
- 3.11 Based on the Morton Fraser status report of 30 September 2015 there has been debt settlement by 45 (13%) customers at a value of £0.3m (8%) and instalment arrangements agreed by 29 (8%) customers at a value of £0.3m (8%). This represents an overall total to date of 74 customers (21%) with a total payment commitment of £0.6m (16%).
- 3.12 As at 30 September 2015 the percentage solicitor's costs against sums recovered is 2.2%.
- 3.13 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

Complaint Resolution & Settlements

- 3.14 The settlement process for complainants remains on target to be completed by Autumn 2015, subject to an additional 2 cases anticipated from Deloitte in October 2015. Closure in respect of half of all settlement cases has now been reached, with 86% of all complainants issued with settlements. Acceptance rates from complainants are at 52%. Settlements to other affected owners are progressing with settlements communicated to 1,419 owners. Settlements to all other affected owners is anticipated to be complete by late Autumn 2015.

New Service update

- 3.15 The pilot for the new service commenced on 1 September 2015 and will run until the end of March 2016.
- 3.16 The purpose of the pilot is to test parts of the practice and procedures designed by Deloitte and the Implementation Team prior to launching the new service in April 2016. The five service areas are:-
- Customer contact

- Facilitation
- Intervention
- Enforcement
- Finance

Pilot Progress

3.17 The Intervention Service:

The intervention service is made up of the activity undertaken following the identification of an essential repair and prior to taking a decision to enforce the repair, where the objective is to support owners to take responsibility for progressing the repair privately. Included in this area of work is diagnosis of the defect reported and tailored communication to owners.

3.18 Case officers have been assigned to the 10 cases selected to test the intervention procedures, and initial case assessments have been undertaken – including an initial site visit and meeting with an owner in one instance. Early progress has indicated that one case may be taken back by owners after successful Council intervention. One case is likely to progress to enforcement and one new case will be added to the workload. The degree to which case officers and property owners can arrange defect repairs with their neighbours to organise the works privately will determine how many of these cases reach the enforcement stage. Those cases brought to the service at present are in general related to defects in roofing.

3.18 The Enforcement Service:

The Enforcement service is activated when all intervention services have failed to provide a platform for owners to procure the works privately. Upon Panel approval the project will be allocated to the surveying department for progression through the standard operating procedures. The procedures include carrying out a full survey, preparation of cost estimates, preparation of risk registers, issue of the Statutory Notice, tender preparation including design and specification, tender approvals and award and contract administration on site.

3.19 One outstanding repairs project has been considered and included in the pilot. This tenement property had reported falling masonry in July 2011. Under an emergency statutory notice, the Council erected safety scaffolding. Over the period from 2012 to date, the property owners have been in dialogue with the Council in respect of their efforts to arrange the works privately and their subsequent request for Council intervention.

3.20 This project is being progressed on behalf of owners and is currently in the procurement phase. This is a major repair project with an estimated value of £250,000. The defects are numerous and include structural works, stonework repairs, flat roof replacement and slate roofing repairs. The tenders have been issued to five contractors who have been through a Prequalification Questionnaire (PQQ) stage. The project surveyor will now prepare cost estimate

No. 2 as per the new procedures. An owners meeting has been arranged where the owners will be presented with an overview of the scope of work, estimated cost and key programme dates. A Statutory Notice will be issued to supersede the existing notice, in line with the new agreed format and wording. The project is estimated to commence prior to the end of the year with a contract programme of 36 weeks.

New Edinburgh Shared Repair Service launch

- 3.21 Throughout the pilot period, work will continue on additional implementation activities prior to the full service launch – notably Procurement, Recruitment and ICT.
- 3.22 The procurement strategy has been agreed by the programme board and planning is underway for a Bidders Day on 14 October. The framework contract is programmed to be in place by July 2016.
- 3.23 Recruitment of the required technical resource is underway, with two Building Surveyors identified following interviews during September. One surveyor is now in post with the second due to start at the beginning of November.
- 3.24 Work has continued on the ICT plan including a working session to investigate potential short-term system improvements, and initiation of data cleansing activity.

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 over £30m require to be concluded and resolved.
- 5.2 On 19 March 2015, following the decision to make available a budget for 2015/16 of £1.5m, 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 The overall 2015/16 available budget for the legacy and new Edinburgh Shared Repairs Service is £3.6m.

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

Deputy Chief Executive

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Links

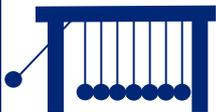
Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city’s built heritage P41 – Take firm action to resolve issues surrounding the Council’s Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive 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	SO4 – Edinburgh’s communities are safer and have improved

Agreement

physical and social fabric

Appendices

Appendix 1: Management Information Dashboards



Programme Momentum Dashboard September 2015

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



OVERVIEW OF PROGRESS

The legacy service continues to draw to a close in respect of billing, projects and settlements. There remains a high level of customer service contact as the final cases are released for billing. In addition, there remains a high value of debt to recover, both independently assessed cases and historic legacy cases. The new service pilot began on 1 September 2015 with the full launch in April 2016. The main risks to the launch of the New Edinburgh Shared Repairs Service are in relation to budget pressures which impact upon recruitment, ICT development and demand management. Work is also ongoing to complete the policy, procedures and performance measures for the new service.



TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Additional provisions have been made through the appointment of Morton Fraser	Yellow
2. Budget Provision	Ongoing discussion with Corporate Finance in relation to agreeing the budget provision for the new service and the closure of the legacy service	Red
3. Bad Debt Provision	The provision has been increased and will continue to be monitored and reported monthly.	Red
4. Settlement Process	Settlement process nearing completion but reputational and financial risk remains high.	Yellow
5. IT Systems	Interim IT activity underway to improve systems and reporting ahead of new service launch.	Red
6. Procurement	Bidders Day to be held mid October . Plan to issue PQQ to contractors in late October	Yellow

OVERALL STATUS	RAG	COMMENTS
Customer services	Yellow	Complaints decreasing but Councillor enquiries and FOI requests remain high
Billing	Green	Project Joule billing complete.
Legal	Red	Steady increase in the number of cases requiring legal action and in numbers being resolved.
Case Reviews and Settlements	Yellow	Settlement process implemented with more than 80% of all complainants issued with settlement.
New service	Yellow	Implementation activities have commenced. ICT functionality, Procurement and new service delivery on amended business plan remain the key risks.

INFORMATION / DECISIONS
<ol style="list-style-type: none"> Ongoing legacy closure and new service progress report Impact of budgetary provision for 2015-17 a key risk Revised Costed Business plan to be presented in October.

KEY PLANNED ACTIVITIES
<ol style="list-style-type: none"> Bidders day planned to test market interest on Contractor Framework Continue to develop new service governance, policy and performance framework Client and performance management of debt recovery partnership Revised Costed Business Plan for the new service to be reviewed by the Programme Board in October.





Settlements

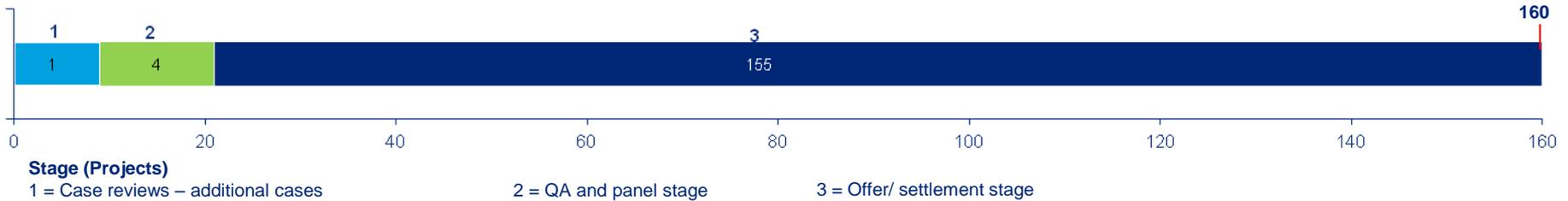
Programme dashboard as at 25 September 2015



Progress

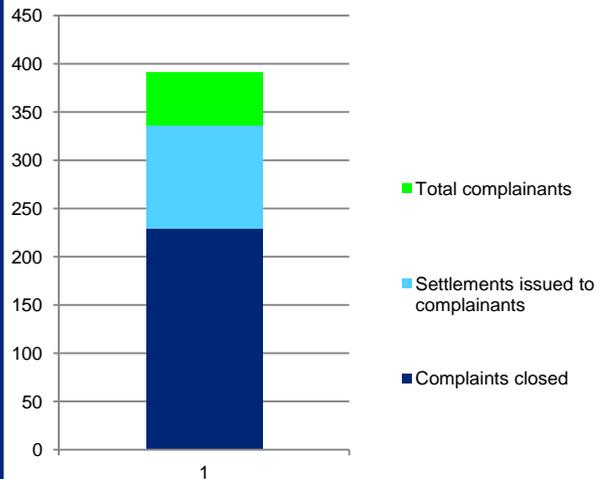
The settlement process for complainants is on target to be completed by Autumn 2015, subject to an additional 2 cases anticipated from Deloitte in October 2015. 86% of all complainants have been issued with settlement. Acceptance rates from complainants are at 52%. Settlements to other affected owners are progressing with settlements communicated to 1,419 owners. Settlements to all other affected owners is anticipated to be complete by Autumn 2015.

Complex Complaints Case Reviews & Settlements

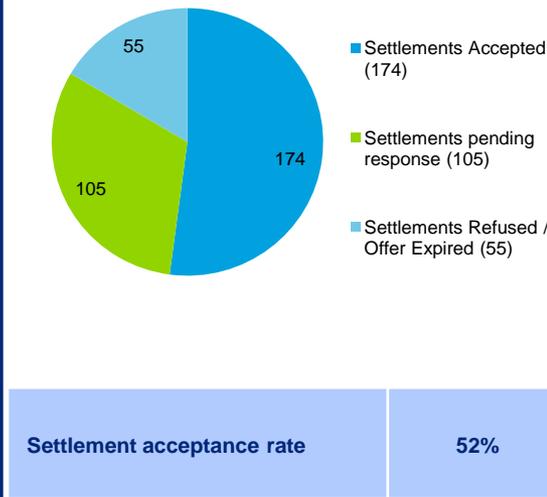


Settlement Status

Settlements Issued to Complainants



Complainant Closure Status

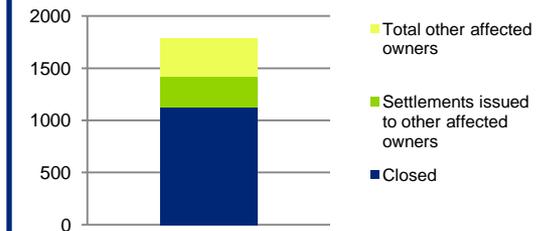


Settlement acceptance rate: 52%

Settlement Value

Total Value of projects reviewed	£11.172m
Total settlements approved under delegated authority	£3.538m
Settlements paid/credited to date	£2,160m

Other Affected Owners



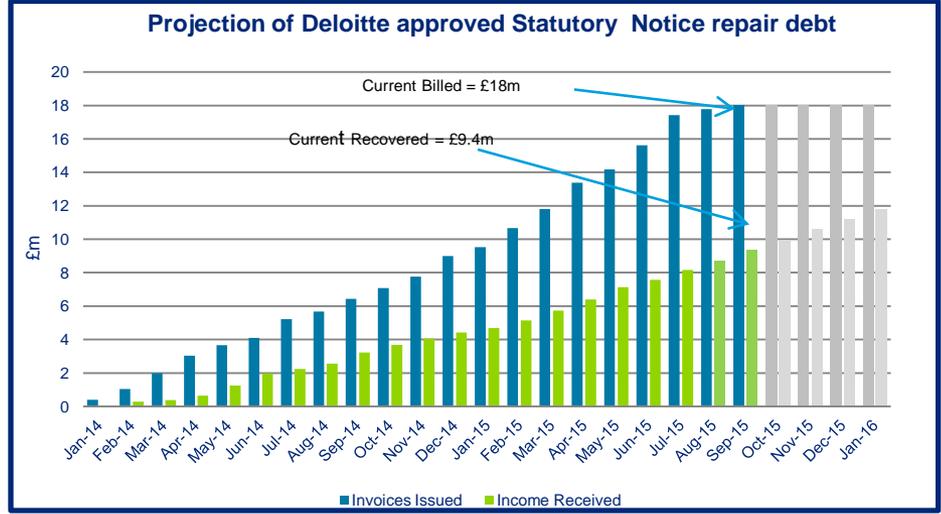
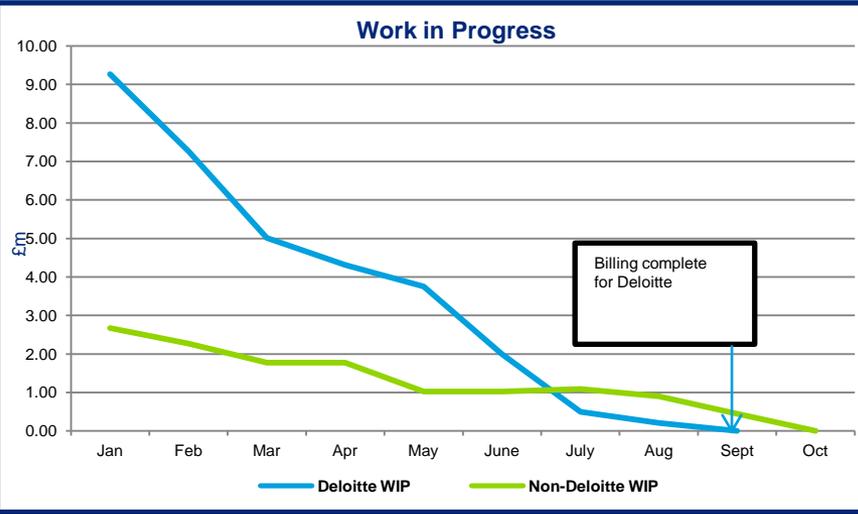


Finance

Programme dashboard as at 25 September 2015

Progress

Billing on Deloitte reviewed (Project Joule) cases closed at £18m with £9.4m received. As at 25th September 2015 all Joule projects have now been invoiced. The remaining Work In Progress (WIP) figure is £0.3m which is all Non Deloitte (Legacy). Impairments approved to date is £10.5m against the provision of £17.9m.



15/16 Budget Requirements

	Budget 2015/2016	Budget to 31/08/15	Spend to 31/08/15	Variance to 31/08/15
	£'000	£'000	£'000	£'000
Closure Programme & Defect Remedy Costs	2,103	961	571	(390)
New Enforcement Service (implementation and pilot launch from 01/09/2015)	1,400	378	458	80
Shared Repairs Service(part year to 31 August 2015)	138	125	179	54
TOTAL BUDGET 2015/2016	3,641	1,464	1,208	(256)



Debt Recovery

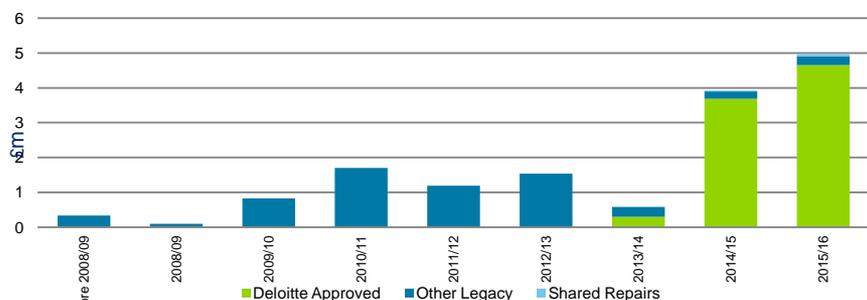
Programme dashboard as at 25 September 2015



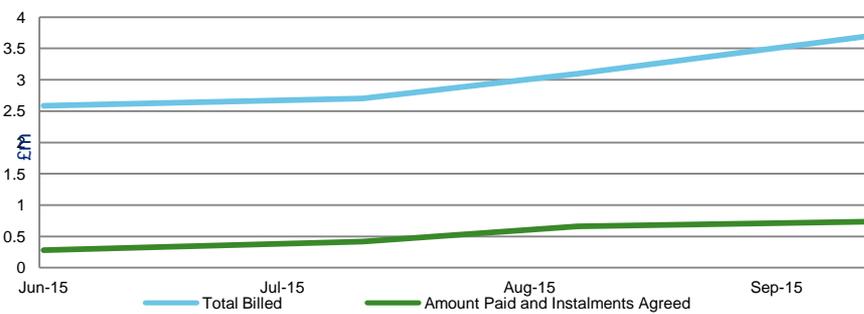
Progress

The total debt outstanding of £15.2m for both Deloitte Reviewed, and Legacy and Shared Repairs, whilst reducing, remains an issue. Of this debt sum, a total of £10.1m is being pursued through active billing, Morton Fraser recovery or other legal collection. The remaining debt of £5.1m is either being prepared for legal action or suspended debt and includes a sum of £3.9m for outstanding legacy debt of which £3.3m is suspended debt. There is £1.8m debt arranged for payment through instalment plans.

Aged Debt at 25 September by year



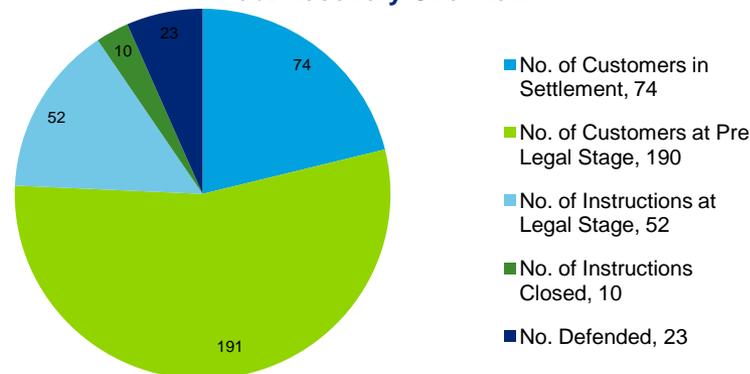
Morton Fraser Recovery Rate



Debt Status	Deloitte Reviewed	Legacy and Shared Repairs	Total
Total debt being pursued	£7,418,021	£2,634,156	£10,052,177
Total debt scheduled for action	£1,214,568	£3,911,014	£5,125,582
Total Debt	£8,632,589	£6,545,169	£15,177,759
Instalment plans agreed within debt total	£1,362,447	£417,576	£1,780,023

Morton Fraser Debt Recovery Cases pursued by the Council	June	July	August	September
Total debt recovery cases pursued by Morton Fraser	212	233	294	349
Total value of instructions issued	£2.6m	£2.7m	£3.1m	£3.7m
Total debtors settled or in payment plan	42	62	67	74
Total sum recovered or in payment plan	£0.3m	£0.5m	£0.7m	£0.7m
Total sum recovered of in payment plan as % of debt recovery	11%	17%	21%	20%

Debt Recovery Overview





Legal Claims

Programme dashboard as at 25 September 2015



Progress

At the time of writing there are no live court cases raised against the Council by owners. The last case was resolved in the Council's favour in June 2015.

Legal claims raised against the Council	Apr 14 – Sep 15
Total claims raised against the Council	5
Total claims resolved to date	5
Settlement payment by Council to owner	4
Court judgement for the Council	1
Court judgement against the Council	0



Customer Services

Programme dashboard as at 25 September 2015

Progress

Customer enquiries continue to be significant in number. Solicitor enquiries remain at a high level.

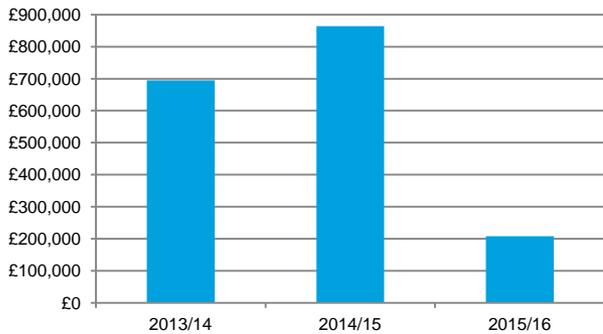
Customer Services	Jul 15	Aug 15	Sep15
No. of customer enquiries received	543	849	686
No. of customer enquiries closed	627	901	817
No. of Solicitor enquiries	707	729	744
No. of customer complaints received	10	22	29
No of customer complaints closed	14	17	22
No. of FOI's received	16	30	19



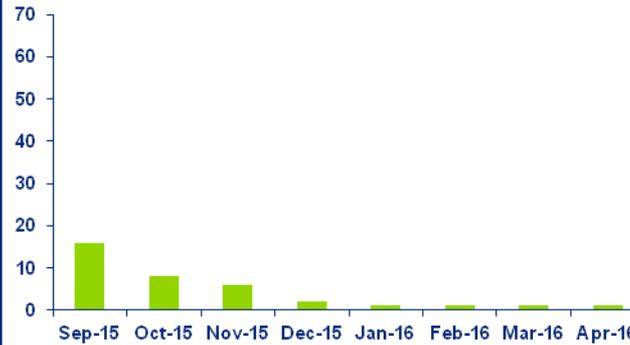
Projects

Programme dashboard as at 25 September 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 October 2015



Emergency Service

Programme dashboard as at 25 September 2015

SHARED REPAIRS KPI

	Jul 15	Aug 15	Sep 15	Trend
No of requests for advice/ info only.	250	186	265	↑
No. of service requests	98	100	74	↑
No of emergency repair inspections resulting in statutory notices issued	69	65	49	↓
No. of Emergency service requests where information/ advice was provided	29	35	25	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£665,050	£693,010	£721,588	↑
Value of income received from owners for emergency repairs (cumulative)	£564,906	£587,618	£608,924	↑

Progress

- The number of requests for advice has increased by 42%
- The number of requests for service has decreased by 26%.
- For invoices issued prior to the end of March 2015, the collection rates are 89% for Shared Repairs.

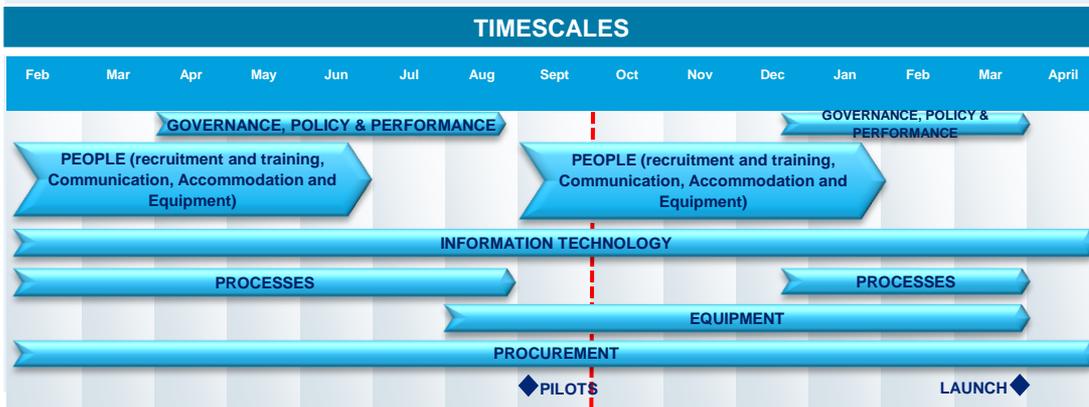


New Service

Programme dashboard as at 25 September 2015

OVERVIEW OF PROGRESS

The project remains on course to deliver within timetable and budget, with the Pilot phase launched on 1 September. Nine cases are currently in the Intervention process with one enforced case in procurement, and Case Officers and Technical staff are using the draft procedure manuals to progress these cases. The IT Project Manager has facilitated a working session to review short term improvements to the Uniform system, and has commenced data cleansing. Implementation of the Procurement Strategy has commenced with a focus on preparation for a Bidders Day. Following the formal recruitment process, two Building Surveyors have been identified, one is now in post and the other will start in early November – in addition the vacant Project Officer post has now been filled. The Policy decisions underpinning the Pilot cases were approved by the Programme Board in September.



TOP RISKS	MITIGATION	RAG
1. Unable to deliver against blueprint due to budget pressures	Recruitment profile and ICT spend have been changed to fit the new budget allocation. Updated costed business plan to be presented to October Programme Board.	Red
2. New IT functionality not in place for full service launch	Interim IT activity to be undertaken to improve legacy systems and reporting ahead of new service launch. Target architecture to be agreed following engagement with new IT supplier.	Red
3. Implementation Project team inadequately resourced to deliver project	Project Officer appointed following recruitment process in September. Decision taken to share Implementation Manager activities between existing resource – requires monitoring.	Yellow
4. Market interest in Contractor Framework is low	Soft market testing demonstrated market interest, however bidder's day on 14 October will test interest further. Recommended Procurement Strategy approved by Programme Board.	Yellow
5. Unable to secure technical resource due to recruitment and budget issues	Initial Technical Surveyor resource identified and job offers made. The ability to recruit required level of resource to be reviewed along with updated Costed Business Plan.	Yellow

OVERALL STATUS	RAG	COMMENTS
Governance	Yellow	The policy decisions underpinning the Pilot cases were approved by the Board in September. A revised Costed Business Plan with options analysis to be presented to the Programme Board in October 2015.
People	Yellow	Two Building Surveyors have been identified and job offers made. The pilot will facilitate a review of remaining recruitment requirements in line with demand and within the remaining budget. SRS Service Review to be signed off and communicated by December.
IT	Yellow	New IT approach approved at July Board. Activity has commenced on short term systems improvements and data cleansing – the final IT architecture is to be confirmed once the new supplier is in place.
Processes	Green	Draft procedure manuals prepared for testing during Pilot phase, with a process in place to identify and review any proposed amendments.
Procurement	Green	Recommended Procurement Strategy approved by Programme Board. Bidders day to be held on 14 October 2015. Plan to issue PQQ to contractors in November 2015 with projected award in Summer 2016.

INFORMATION / DECISIONS

Programme Board 23/10/2015 – A revised Costed Business Plan for the new service is to be reviewed.



ESRS Pilot Phase Dashboard

Programme dashboard as at 25 September 2015



OVERVIEW OF PROGRESS

The Pilot Phase commenced on 1 September, as planned, with ten test cases initially identified. The objective of the pilot is primarily to test the draft procedure documents, and a process has been put in place to track proposed changes to these documents. Eight of the cases are at the Customer Contact Stage, and Case Officers have been assigned – they have undertaken an initial assessment of the cases. One Major Works project has been included to ensure the contract administration element of the Enforcement procedures is tested during the pilot window (September 2015 – March 2016). We are also providing facilitation through advice and information on a tenth project.

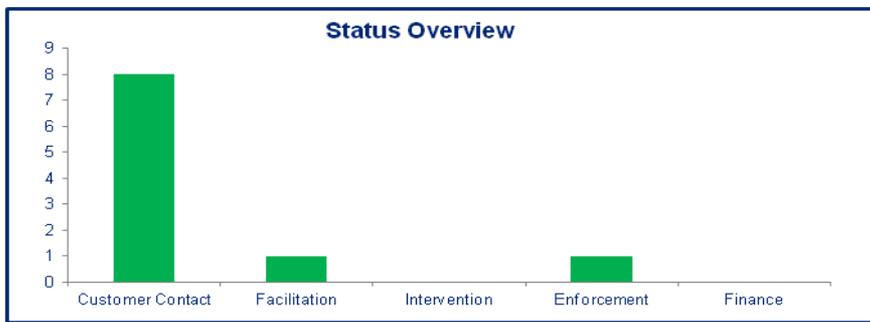
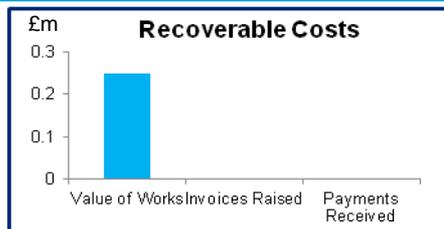
CASE WORKLOAD	Sept 15	Oct 15	Nov 15
Total number of Pilot cases & projects	10		
• Number of open cases	10		
• Number of new Cases / Projects	-		
• Number of cases on hold	-		
• Number of closed cases (Successful Intervention)	-		
• Number of closed cases (Site Survey / S24 Notice)	-		

Potential additional cases identified	1		
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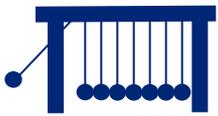
PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement)	1		£250k
TOTAL	1	-	£250K

FACILITATION WORKLOAD (TYPE OF PROJECT)	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof	1		£1m
TOTAL	1	-	£1.0m

FINANCE



STATUS OF OPEN/ON HOLD CASES		NO.
Customer Contact:	• Customer Services Enquiry	
	• Case Officer review	
	• Case Officer liaising with Lead Owner	8
Facilitation:	• Advice and Information	
	• Council Correspondence	1
Intervention:	• Communication 1 issued	
	• Communication 2 issued	
	• Panel Report submitted	
Enforcement:	• Site Survey / S24 Notice / S26 Notice	
	• Procurement	1
	• Projects on site	
Finance:	• Final Account issued	
	• Invoices issued to owners	



Programme Momentum – Remaining Activity

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



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.

