

Finance and Resources Committee

10.00am, Tuesday, 2 February 2016

Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

Item number	7.15
Report number	
Executive/routine	
Wards	

Executive summary

This report provides the Finance and Resources Committee with a progress update for Programme Momentum and the Edinburgh Shared Repairs Service (ESRS).

Links

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

Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

Recommendations

- 1.1 Committee is requested to:
 - 1.1.1 Note the management information dashboard reports in Appendix 1.
 - 1.1.2 Note the progress of debt recovery work.
 - 1.1.3 Note the progress of the settlement process.
 - 1.1.4 Note the status of the remaining legacy projects.
 - 1.1.5 Note the update on the pilot progress.

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 December 2015.

Main report

Management information

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

Delegated Authority – Irrecoverable Sums & Settlements

- 3.2 The provision for impairment and for settlement repayments is £17.9m.
- 3.3 As at 25 December 2015 a total of £11.2m has been approved for write-off against the provision comprising irrecoverable sums of £6.9m, aged debt of £0.4m and a total value of £3.9m for settlements to date.
- 3.4 These sums are contained within the overall Bad Debt and Irrecoverable Sums provision.
- 3.5 The provision remains subject to regular review by the Head of Edinburgh Shared Repairs and the Acting Executive Director of Resources.

Billing and Recovery Update

- 3.6 Billing on Deloitte reviewed projects is now complete at a total of £17.6m.
- 3.7 To 25 December 2015, £10.6m has been received in payment from individual owners. A further £1.3m has been secured in payment plans and inhibitions. Total recovery rate in debt collected and secured debt is £11.9m (68%).
- 3.8 The balance of debt of £5.7m (32%) is being actively pursued, predominantly through Morton Fraser, and is at various stages of recovery.

Debt Recovery – Morton Fraser

- 3.9 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 543 instructions have been issued to Morton Fraser with a total value of £5.7m for debt collection.
- 3.10 From April 2015 to 25 December 2015 the overall sums recovered or in payment plans secured by Morton Fraser total £1.1m (19%) over 112 customers (21%).
- 3.11 The costs of Morton Fraser to date in return for the £1.1m recovery is £22,000. As at 25 December 2015 the percentage solicitor's fees against sums recovered is 2%. The solicitor's fee to debt recovery ratio is £50 recovered for every £1 spent. These figures will vary from month to month. The Council is currently recovering on average £100,000 per month in Statutory Notice invoices.
- 3.12 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

Debt Recovery - Suspended Debt

- 3.13 Suspended debt relates to historic Property Conservation projects which have been billed and where a customer or legal representative has raised a dispute leading to the invoice being put on hold.
- 3.14 Between January 2015 and January 2016 the suspended debt has reduced from £6.4m to £2.8m.
- 3.15 Of the remaining £2.8m suspended debt, 2 projects carry a combined value of £1.3m (46%). One project has been referred to Deloitte for further case review whilst the other has been referred for legal advice.
- 3.16 Following Deloitte review, settlement credit notes will be raised for £0.7m (25%) against invoices which are currently suspended. The remaining suspended debt balance of £0.8m (29%) relates primarily to old legacy invoices which are at various stages of investigation and recovery.

Complaint Resolution and Settlements

- 3.17 The review settlement process for complainants is complete. Closure in respect of half of all settlement cases has now been reached, with more than 95% of all complainants issued with settlement. Acceptance rates from complainants are at 57%. Settlements have been communicated to 1,632 other affected owners.

Scottish Public Services Ombudsman (SPSO) Decision

- 3.18 A decision was returned in favour for the Council last month from the SPSO. The complaints were:
- “CEC unreasonably failed to consider your complaint in line with the investigation principles agreed with Deloitte”; and
 - “CEC unreasonably failed to explain and document the charges you have received.”

3.19 Both complaints were not upheld and no further action is required by the Council.

Projects – Legacy

3.20 Thomson Bethune (TB) have completed their contract with the City of Edinburgh Council (CEC). However 2 projects have construction related issues which have delayed completion and TB are completing these.

3.21 ESRS are completing a number of historic projects. The schedule for this is as follows:-

- 3 projects are to be completed early this year;
- 2 projects are due to be re-programmed for completion in spring;
- 3 projects currently requiring intervention, following completion of defects works; and
- There are 25 projects still in the defect period to be signed off by ESRS.

3.22 Consultant run defect projects handed over to CEC late in 2015 are still to be completed on 5 projects.

New Service Update

3.23 The pilot for the new service commenced on 1 September 2015 and is due to end on 31 March 2016. The new service will see a phased implementation through 2016/17 following the pilot phase. There are a number of risk areas that the Council will progress through 2016/17 as per points 1-5 below. The service will operate within the approved budget and be fully operational as planned.

- Council Transformation – The service will undertake a business review in 2016 as part of the wider Council transformation.
- ICT – The establishment of systems required by the service include Customer Relationship Management, Case Management, Finance and Business Intelligence reporting. These are required before the service can operate without risk associated with inappropriate ICT arrangements. CGI are committed to replacing legacy systems which the service is dependent on by March 2017. This is in line with our current timescales. Early engagement has commenced ahead of the CGI contract start date.
- Procurement – Testing of the strategy currently being progressed and the Contractors framework is programmed to be in place by July 2016. With the

- assistance of a framework manager, the new KPI's and framework contract conditions will be run and tested throughout the next financial year.
- Testing of the processes and procedures for the new service will take place in a phased way through 2016/17. These include gateway compliance and quality assurance checks in Customer Contact, Intervention, Facilitation, Enforcement and Finance.
 - Recruitment - The approved current Council pay scales for quantity and building surveyors does not fare well when compared with the external markets, private and other institutions. Throughout the year soft market testing will be carried out to establish the level of salary required to attract chartered building surveyors to the service and action taken to seek alignment with the correct Council staff grades.

Pilot Progress 14 Cases

Customer Contact: 1 case

- 3.24 This area of the service is where a customer will contact the service to request assistance with a problem on their property. The customer contact team will gather information on the reported defect to determine at a high level whether the defect is within the scope of the service. If the defect reported does appear to be within scope, the team will then ask the customer to evidence what efforts have been made by the property owner to engage with their fellow neighbours. This evidence is requested to be sent to the service for further review before the case is passed to the Intervention part of the service.
- 3.25 At present the service is not officially launched and therefore in this pilot period the customer contact team are assessing service requests after the customer has been in touch to determine if any service requests should be retrospectively followed up.
- 3.26 Customer contact has identified one potential case at present.

Facilitation: 2 cases

- 3.27 This area of the service has been utilised already where a customer has approached the service for assistance with defects on a property but for reasons of financial or reputational risk the service cannot assist at an enforcement level. The service can however assist the property owner in others ways for example corresponding with other owners at the property or contacting Private Rented Services for assistance with information on landlord registrations and such like. In a recent case, where the Council were responsible for providing emergency scaffolding, the service arranged meetings with contractors, permits/roads officer and owners to facilitate scaffold hand-over.
- 3.28 There are two cases in facilitation at present.

The Intervention Service: 7 cases

- 3.29 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.
- 3.30 Case officers currently have seven cases with correspondence on-going with the lead owner and all other owners engaging at each of these properties. Early progress has indicated that one case is likely to be submitted to the Project Panel for a decision to take to these into the Enforcement part of the service.

Successful Intervention: 2 cases

- 3.31 The Pilot service have successfully intervened in two cases and these cases are now closed on our database, however a follow up will be undertaken to check work has been undertaken privately after three months has passed.

The Enforcement Service: 2 projects

- 3.32 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.
- 3.33 This month one additional project has been approved by the ESRS Panel to progress to the enforcement process.
- 3.34 This new project is a re-roofing project at Thorntree Street. The lead owner (top floor flat) has tried to engage his fellow neighbours for seven years unsuccessfully and ESRS Intervention has failed to encourage owners to undertake the work privately. Five of twelve owners returned the mandate to say they wish to progress the work themselves but cannot engage the remaining neighbours.
- 3.35 The major project at Gorgie Road has now been awarded to the successful contractor and a pre-start meeting and owners' meeting has been arranged for January 2016. The commencement date is 1 February 2016, the project has a 30 week programme and will complete in September 2016.

New Edinburgh Shared Repair Service Implementation

- 3.36 The service will take ownership of the reviewing of procedures and processes as the phased service implementation progresses.
- 3.37 Throughout the phased pilot period, work will continue on additional implementation activities prior to the full service launch – notably Procurement, Recruitment and ICT.

- 3.38 The Pre-Qualification Questionnaire was uploaded to Public Contract Scotland on 30 November 2015 with a return date of 12 January 2016. The framework contract is programmed to be in place by July 2016.
- 3.39 Recruitment of the required technical resource is underway, with two Building Surveyors identified following interviews during September. Both surveyors are now in post.
- 3.40 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 Collection of outstanding debt.
- 4.3 Resolution of complaints.
- 4.4 Launch of new replacement enforcement service.

Financial impact

- 5.1 The associated revenue cost in resolution of the legacy closure programme from April 2013 forecast to March 2016 totals £7.7m. A current assessed need of £1m has been identified for 2016/17 towards the closure of the legacy programme.
- 5.2 The financial statements include a provision of £17.9m for impairments and settlement repayments of which £11.2m has been approved as at 25 December 2015.
- 5.3 The adequacy of the impairment and settlement provision remains under regular review by the Head of Edinburgh Shared Repairs Service and the Acting Executive Director of Resources.
- 5.4 The overall 2015/16 available budget for both the legacy and new Edinburgh Shared Repairs Service is £3.8m.

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 -](#)

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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.

Edinburgh Shared Repairs Service Dashboard

December 2015

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

LEGACY PROGRAMME

A number of legacy workstreams continue to draw to a close with billing now complete, settlements at the final stages and projects on site nearing completion. Significant volumes of work remain in customer service and debt recovery.

NEW SERVICE

The phased implementation of the pilot for the new service commenced on 1 September 2015 and will run until the end of March 2017. The Edinburgh Shared Repairs Service will be managed overall within the Corporate Property Service in the new Council structure.

TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Additional provisions have been made through the appointment of Morton Fraser.	Red
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	Yellow
3. Settlement Process	Settlement process nearing completion	Yellow

OVERALL STATUS	RAG	COMMENTS
Case Reviews and Settlements	Yellow	The settlement process is nearing completion . At this time 95% of complainants have been issued with settlement with an acceptance rate of 57%.
Debt Recovery	Red	Debt outstanding is currently £12.7m. Of this debt £9m is being pursued through active billing, Morton Fraser recovery or other legal action. The remaining debt is either being pursued for legal action or is suspended debt.
Projects	Yellow	Thomson Bethune completed their contract at the end of December. ESRS staff are completing 8 historic projects. 3 will complete in January. 2 will complete in Spring 3 require intervention following completion of defects works.
Customer services	Yellow	There remains a high volume of customer contact across the legacy service.

TOP RISKS	MITIGATION	RAG
1. Project Officer Support	Project Officer Secondment due to end on 31/3/16. There will be no dedicated Project resource putting delivery of the Project at risk. Extension being sought	Red
2. ICT Project Manager Support	ICT Project Manager contract due to end in March 2016. There will be no dedicated ICT Project resource putting delivery of the Project at risk. Extension being sought.	Red
3. Lack of Market interest in Contractor Framework	PQQs were issued on 30/11/15 with a return date of 12/1/16. The returns will indicate the level of market interest.	Red
4. Unable to recruit suitable technical resource	Two surveyors appointed. Recruitment of suitable technical resource will continue to be monitored .	Yellow
5. Senior Management Team not in post during Pilot	Robust evaluation, handover and training plan to be in place for SMT of new service - decision required on outstanding management posts.	Yellow

OVERALL STATUS	RAG	COMMENTS
Governance	Green	The Edinburgh Shared Repairs Service and Legacy Programme will be managed overall within the Corporate Property Service in the new Council structure.
People	Red	The pilot will facilitate a review of remaining recruitment requirements in line with demand and within the budget agreed. Soft market testing on recruitment will be carried out in line with the ESRS Service Review to start in January 2016.
IT	Yellow	Database for Pilot Service is up and running and being tested with Pilot Projects. Data cleansing report to be submitted in early 2016. Uniform System IDOX update scheduled to take place mid January with management training scheduled for the end of January.
Processes	Green	Draft procedure are being tested during Pilot phase. Proposed changes are being tracked, interim procedures will be updated and issued to CEC by the end of December 2015. An internal audit will be carried out in Spring 2016
Procurement	Yellow	PQQ has been issued. Contractors framework is programmed to be in place by July 2016. An internal audit will be carried out in Spring 2016

KEY PLANNED ACTIVITIES

Completion of settlement process.
Continuation of debt recovery programme.
Continuation of legacy projects.
Continuation of ESRS pilot activity.
Recruitment of Records manager.

INFORMATION / DECISIONS

Closure programme staffing to be agreed.
Service review to be undertaken



Settlements & Customer Service

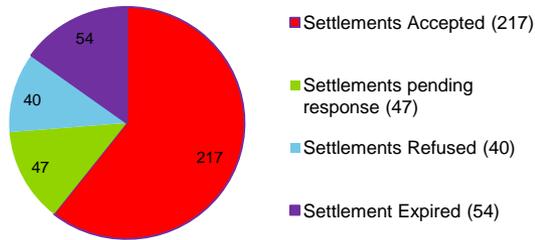
Programme dashboard as at 25 December 2015



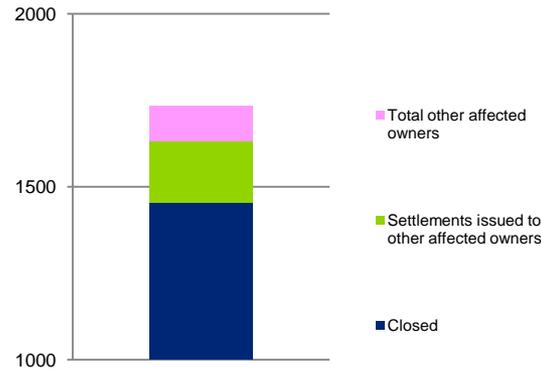
PROGRESS

Closure in respect of half of all settlement cases has now been reached, with more than 95% of all complainants issued with settlement. Acceptance rates from complainants are at 57%. Settlements to other affected owners are progressing with settlements communicated to 1,632 owners

Complainant Closure Status



Other Affected Owners



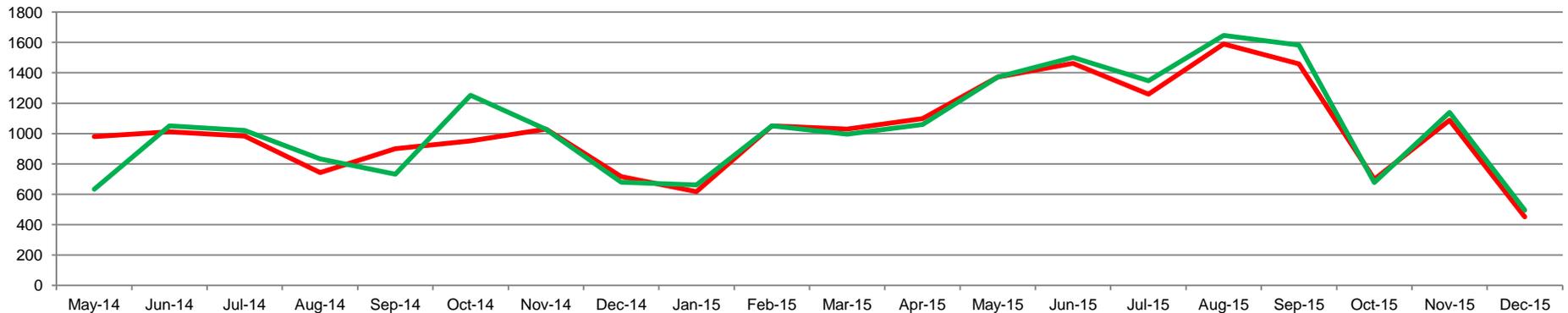
Settlement Value

Total Value of projects reviewed	£12.8m
Total settlements approved under delegated authority	£3.9m
Settlements paid/credited to date	£2.9m

PROGRESS

Customer Services has seen an expected dip in December on overall enquiries, FOI and SPSO requests. Response rate for FOI/SPSO requests was maintained at 100% with enquiries/complaints achieving 96.8% closed within target.

Enquiries complaints Raised / Closed





Finance and Debt Recovery Overview

Programme dashboard as at 25 December 2015

PROGRESS

Progress

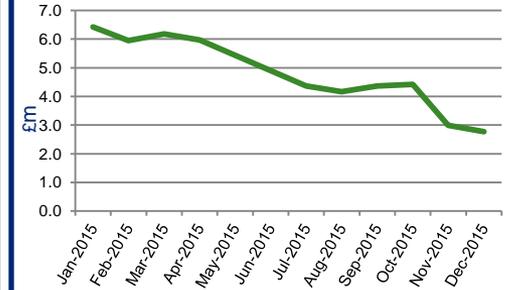
The current level of debt outstanding is £12.7m of which £7.0m is Deloitte (Project Joule) reviewed debt and £5.7m of Legacy and Shared Repairs debt. A total of £9.0m is being pursued through active billing. Debt of £3.7m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £2.8m as disputes are resolved and settlements processed.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£6.7m	£2.3m	£9.0m
Total debt scheduled for action	£0.3m	£3.4m	£3.7m
Total Debt	£7.0m	£5.7m	£12.7m
Payment plans and inhibitions agreed within debt total	£1.3m	£0.4m	£1.7m

Aged Debt at 25 December 2015



Suspended Invoice Balance



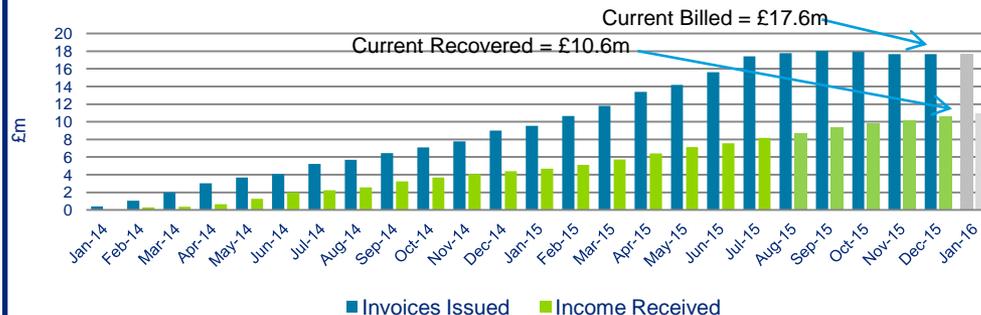
Project Joule Billing and Recovery Progress

PROGRESS

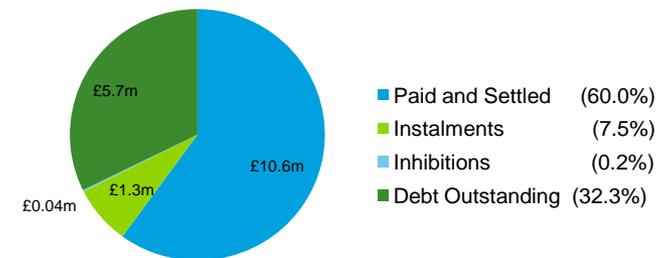
Progress

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.6m. £10.6m has been received in settlement and a further £1.3m of secured debt in payment plans and inhibitions giving a total of settled and secured debt of £11.9m. This represents a current collection rate of 68%. The balance of debt of £5.7m is at various stages of recovery.

Cumulative Analysis of Deloitte approved stat repair debt



Deloitte Project Joule Debt from January 2014 to December 2015

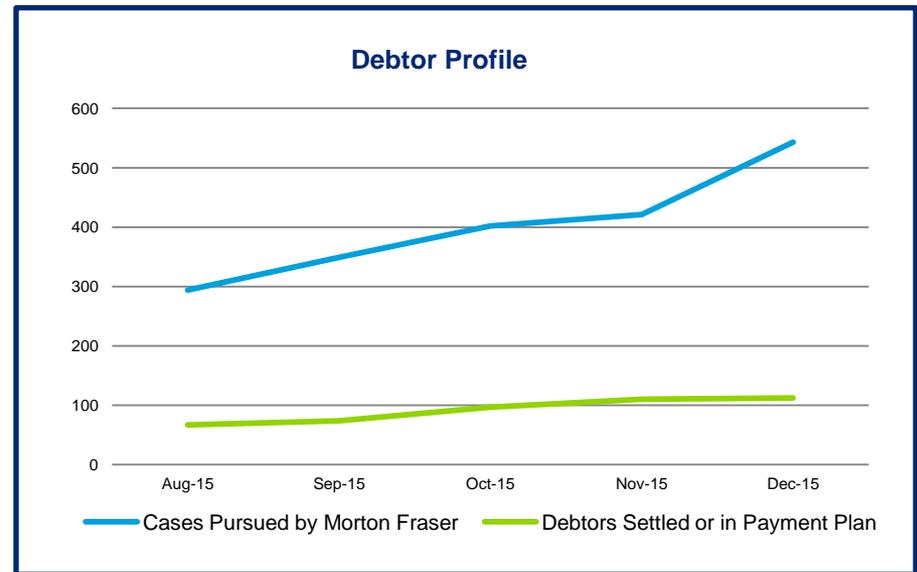
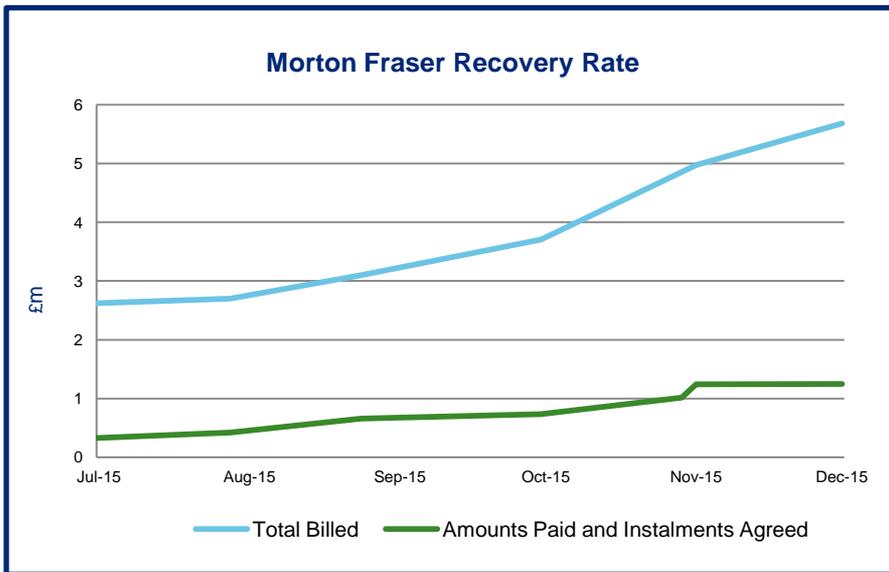
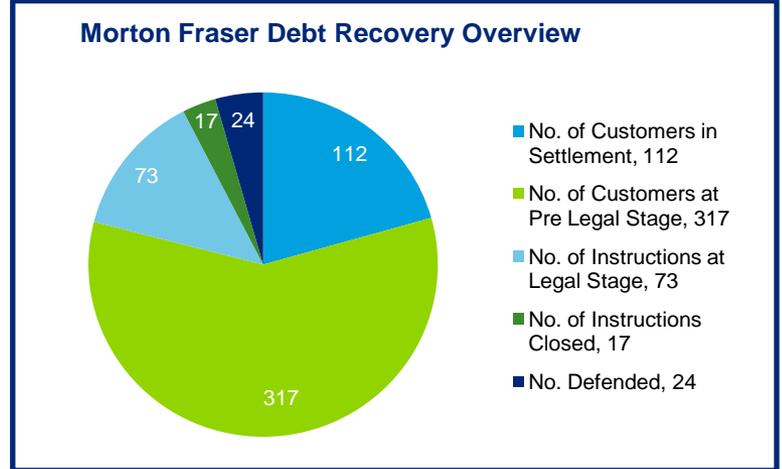




PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 543 instructions have been issued to Morton Fraser with a total value of £5.7m for debt collection. Over the 9 month period from April 2015 to date the overall sums settled or in payment plans total £1.1m over 112 customers. 317 cases are at pre legal stage, 73 at legal stage with 17 cases closed and 24 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	September	October	November	December
Total debt recovery cases pursued by Morton Fraser	349	402	421	543
Total value of instructions issued	£3.7m	£4.9m	£5.0m	£5.7m
Total debtors settled or in payment plan	74	97	110	112
Total sum recovered or in payment plan	£0.7m	£1m	£1.1m	£1.1m
Total sum recovered in payment plan as % of debt recovery	19%	20%	22%	19%





ESRS Pilot Phase and Emergency Service Dashboard

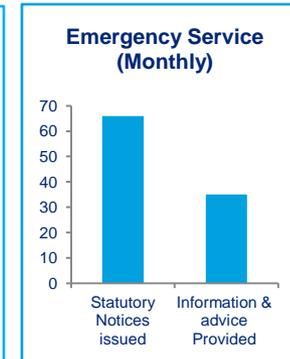
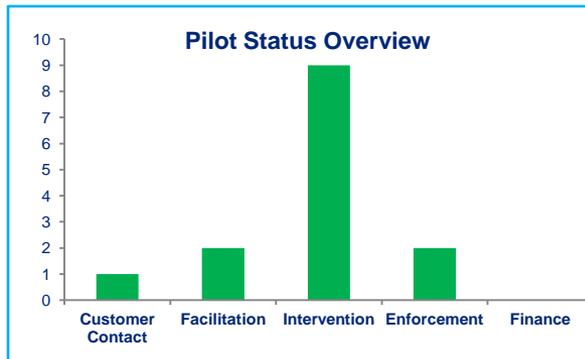
Programme dashboard as at 25 December 2015



OVERVIEW OF PROGRESS

The phased implementation of the new service started in September 2015. The Pilot Phase currently consists of twelve open cases with successful intervention achieved on two projects. Work is progressing on the Major Works project and this has now been awarded to the successful contractor. This month one additional project has been approved by the ESRS Panel to progress to the enforcement process. .

CASE WORKLOAD PROGRESS		NO.
Customer Contact:	• Customer Services Enquiry	
	• Collating Information from Lead Owner	1
Facilitation:	• Advice and Information	
	• Council Correspondence	2
Intervention:	• Case Officer	1
	• Communication 1 issued	4
	• Communication 2 issued	2
	• Panel Report pending	
	• Closed with successful intervention	2
Enforcement:	• Site Survey / S24 Notice / S26 Notice	1
	• Procurement	1
	• Projects on site	
Finance:	• Final Account issued	
	• Invoices issued to owners	



PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement)	1		£364k
TOTAL	1	-	£364K

FACILITATION WORKLOAD (TYPE OF PROJECT)	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof	1		£1m
2. Railway Wall	1		£1m
TOTAL	2	-	£2.0m

EMERGENCY SERVICE

In relation to the November dashboard, there has been a 47% increase in the number of emergency requests the service received in December which resulted in Officers instructing Contractors to make safe defects. 64 of these requests related to blocked drains and of the remainder 11 calls were deemed an emergency and resulted in make safe works being carried out; advice was given to the others which were not deemed an emergency.

Three requests were received from Police Scotland this month. One was a lorry hitting a wall, one related to loose lead and one related to an internal ceiling collapse caused by a party in the flat above. These calls were all received out of normal working hours. None of the associated costs are recoverable.

The Statistics this period are almost 30% higher than the same period last year however this was most likely due to the severe weather conditions during this period.

EMERGENCY SERVICE	Oct 15	Nov 15	Dec 15	Trend
No of requests for advice/ info only.	170	295	239	↓
No. of service requests	66	78	101	↑
No of emergency repair inspections resulting in statutory notices issued	46	45	66	↑
No. of Emergency service requests where information/ advice was provided	20	33	35	↑
Value of invoices issued to owners for emergency repairs (cumulative)	£743,918	£753,839	£763,450	↑
Value of income received from owners for emergency repairs (cumulative)	£642,469	£658,989	£678,106	↑
No of visits to SRS webpage (Google Analytics)	3153	4186	4071	↓
Solicitors Enquiries Received	626	711	459	↓
Solicitors Enquiries Completed	705	800	459	↓