

Finance and Resources Committee

10.00am, Tuesday, 2 February 2016

Property Conservation – Irrecoverable Sum, Debt Recovery and Settlements Process

Item number	7.16
Report number	
Executive/routine	
Wards	

Executive summary

This report provides an update to the Finance and Resources Committee on the current provision for impairment and settlements.

Links

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

Property Conservation – Irrecoverable Sums; Debt Recovery and Settlements Process

Recommendations

1.1 The Committee is requested:

1.1.1 To note the provision for Impairments and Settlements in Appendix 1.

Background

2.1 This report provides an update to the Committee on irrecoverable sums approved under delegated authority and seeks approval for irrecoverable sums in excess of £100,000 per project. There is also an update on the current provision for impairment and settlements.

Main report

3.1 On 5 June 2014 the Finance and Resources Committee considered a report entitled 'Property Conservation – Complaints Resolution' and resolved:-

To delegate authority (with power to sub-delegate to any Council Officer she considers appropriate) to the Chief Executive in relation to statutory repairs to write off sums and to approve and pay any settlement by way of compensation, refund and/or write-off of sums or otherwise, subject to the following limits:

- a) *the aggregate amount written off and/or paid shall not exceed the amount of the Council's bad debt provision in respect of Statutory Notice work;*
- b) *any write-off of unbilled sums by the Chief Executive shall not exceed a value of £100,000 per project;*
- c) *any proposed settlement by the Chief Executive shall not exceed a value of £100,000 per owner.*
- d) *the delegated authority shall expire on 31 March 2015 unless earlier renewed by the Finance and Resources Committee.*

Provision for Impairment and Settlements

3.2 The provision for impairment and for settlement repayments is £17.9m.

3.3 Approvals to date against the provision are £11.2m. The approved sums against the provision is shown below together with the assumptions that underpin the provision in Appendix 1.

	Provision £m	Approved £m
Irrecoverable WIP:-		
Deloitte	£6.4m	£6.4m
Non-Deloitte – Legacy	£1.0m	£0.5m
	<hr/>	<hr/>
	£7.4m	£6.9m
Aged Debt	£6.3m	£0.4m
Settlements	£4.2m	£3.9m
Total Impairment and Settlements	<hr/>	<hr/>
	£17.9m	£11.2

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 The financial statements include a provision of £17.9m for impairments and for settlement repayments. The adequacy of this provision is subject to regular review by the Head of Edinburgh Shared Repairs and the Acting Executive Director of Resources.

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.

Sustainability impact

- 8.1 There is no sustainability impact.

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 Finance and Resources Committee, 3 February 2015, Property Conservation - Programme Momentum Progress Report.](#)

[Report to Finance and Resources Committee, 5 June 2014, Property Conservation - Complaints Resolution](#)

[Report to Finance and Resources Committee, 7 May 2014, Property Conservation - Complaints Resolution](#)

Hugh Dunn

Acting Executive Director of Resources

Contact: Andrew Field, Head of Edinburgh Shared Repairs Service

E-mail: andrew.field@edinburgh.gov.uk | Tel: 0131 529 7354

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	CO7 - Edinburgh draws new investment in development and regeneration 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: The provision for impairments and settlements.



Provision for Impairment and Settlements

Programme dashboard as at 25 December 2015



PROGRESS

The provision recommended for impairment and settlement repayments is £17.9m. The basis of the provisions are as follows:

- **Irrecoverable WIP (£7.4m)** – This is based on the actual final sum of £6.4m for the Deloitte (Project Joule) Review outcomes on Irrecoverable Work-In Progress. In addition a provision of £1.0m has been made, based on Irrecoverable WIP for Non-Deloitte old legacy work for remedial projects, old unbilled Emergency Work and door closed entry systems.
- **Aged Debt (£6.3m)** –An overall collection rate of 53% is required to ensure adequacy of provision. Current recovery rate is 60%.
- **Settlements (£4.2m)** –Work on settlements is nearing completion with an expected write off sum of £4.2m .

Provision for Impairment and Settlements

