

Finance and Resources Committee

2.00pm, Wednesday, 13 May 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.22
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 financial recovery.
 - 1.1.3 To note that the new debt recovery arrangements with Morton Fraser commenced on 1 April and that a report on progress will be brought to the next Committee.
 - 1.1.4 To note the provisions put in place to maintain high levels of customer service throughout the debt recovery process as per Appendix 2.

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 March 2015.

Main report

Management information

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

Financial Recovery

- 3.2 Further to recent reports to Committee billing is progressing with £11.8million invoiced from Deloitte reviewed cases. Current recovery on this debt is £5.7million, with a further £6.1million outstanding. There remains £5.4million of Deloitte 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.

Settlements

- 3.3 Settlements to complainants will be concluded in summer 2015, with a small number of new additional cases anticipated to be reviewed and released by Deloitte by the end of August. There may be a number of additional complaints

that become the subject of the settlement process as a result of debt recovery proceedings on historic cases.

Debt Recovery and Customer Care

- 3.4 Committee is asked to note the provisions put in place to maintain a high level of customer service throughout the debt recovery process as detailed in Appendix 2.

New Service update

- 3.5 On 19 March 2015, following the budget decisions for 2015/16, 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. The implementation of the new service has been progressing in line with this recommendation.

Staffing and Recruitment

- 3.6 The budget allocation has necessitated the re-profiling of recruitment plans for the new service. Following on from previous decisions made by the Property Conservation Board, 2 Case Officers and 1 Finance and Control Officer have already been appointed. Recruitment is also underway for the Head of Shared Repairs and the Head of Surveying, with preferred candidates now identified. These staff will oversee the completion of the implementation phase and will manage the pilot phase of the new service. Subject to review, the remaining operational posts are effectively on hold until February 2016.

IT Delivery Plan

- 3.7 The original blueprint identified the requirement for new, fit for purpose IT systems to be introduced to support the service.
- 3.8 Work to implement a new case management system is progressing. A set of user stories have been developed which outline the requirements for the business processes of the new service and these are forming the basis of discussions with developers about the most appropriate system. The specification, design and build of this system are scheduled to be complete by February 2016, in time for the full launch of the service at the end of March 2016.
- 3.9 A new customer relationship management (CRM) system is also planned for the new service. The CRM will be integrated with the new case management system and as such, development of the CRM will not begin until the case management system is sufficiently developed to allow this interface between the two.

Procurement of Contractor Framework

- 3.10 A procurement strategy is currently being developed to identify the best route to procure a framework of contractors which will ensure quality and best value for owners. This new framework will comprise of one or more multi-trade contractors

and will be in place in time for the full launch of the new service. Projects dealt with during the pilot period will be procured on a case by case basis in line with Contract Standing Orders.

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 £30million require to be concluded and resolved.
- 5.2 On 19 March 2015, following the decision to make available a budget for 2015/16 of £1.5million, 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 £3.9 million.

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

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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 Appendix 2: Property conservation - Debt Recovery and Customer Care



Programme Momentum Dashboard March 2015



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

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 £11m with £5.7m recovered. Interviews for the Head of Edinburgh Shared Repairs have taken place and has been offered to the preferred candidate. The budget commitment for the new service has meant that a pilot service will commence in September 2015 with the full launch in March 2016.

TIMESCALES



TOP RISKS	MITIGATION	RAG
1. Debt Recovery – Aged Debt	Additional provisions have been made through the appointment of Morton Fraser to aged debt.	Yellow
2. Recruitment	Key posts only will be recruited with others being advertised in early 2016.	Yellow
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.
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 implemented
EMERGENCY SERVICE	Green	Activities are well managed and there are no key risks or issues
NEW SERVICE	Red	Implementation activities have commenced. Procurement and IT provision remain the key risks

INFORMATION / DECISIONS

1. Ongoing approvals of irrecoverable WIP and settlements
2. Resource projection for full legacy closure and implementation and operation of the new service
3. New Service ICT, procurement and staffing update

KEY PLANNED ACTIVITIES

1. Progress new service development in light of new service budget decision
2. Management information development for debt recovery workload handled by Morton Fraser
3. Continued focus on escalation of billing and settlements activities
4. Procurement contractor framework analysis for the new service





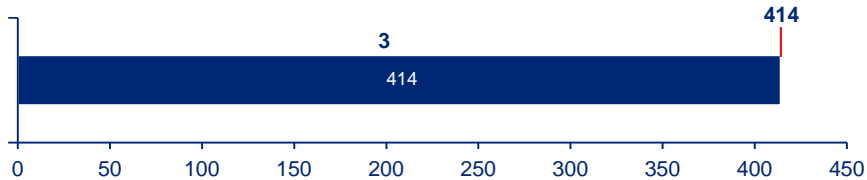
Case Reviews & Settlements

Programme dashboard as at 25 March 2015

Progress

All unbilled cases have now been reviewed by Deloitte and are in the process of billing defect reparation as appropriate. Deloitte have also completed the reviews of the originally identified complaint cases and these have been passed into the settlement process. The settlement process is underway with half of all complainants contacted with a settlement letter. The settlement process for complainants remains on target to be completed by July 2015. There are a further 20 additional complaint cases which have currently been identified for review.

Joule Reviews (unbilled projects)



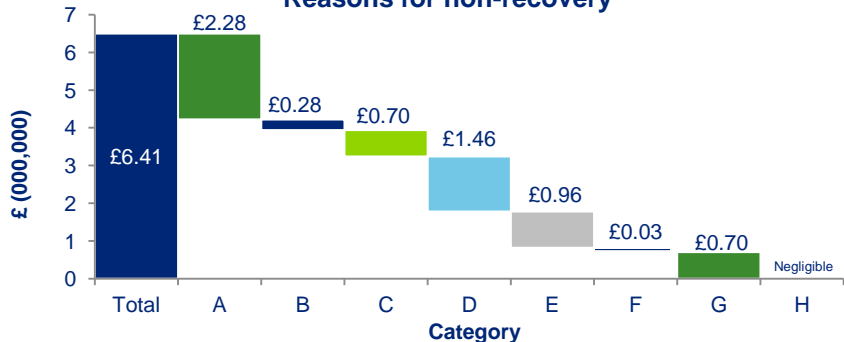
Stage

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

Metrics

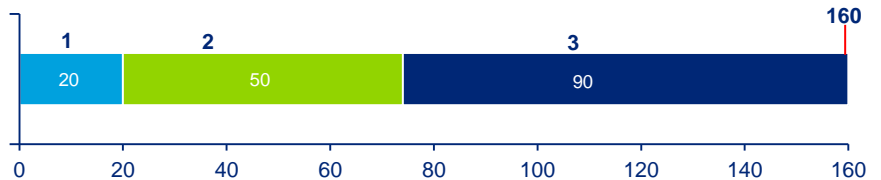
Value released 414 projects	Recommended Recovery 414 projects	Recommended Non- recovery 414 projects	Total Invoiced	Total Recovered
£22.47m	£16.06m	£6.41m (28.5% write off)	£11.8	£5.7m

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

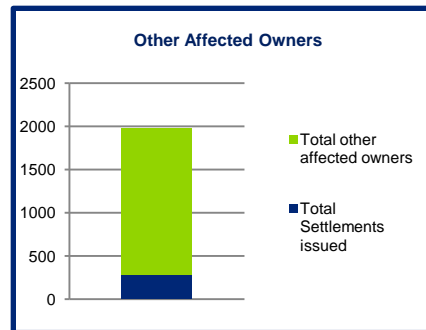
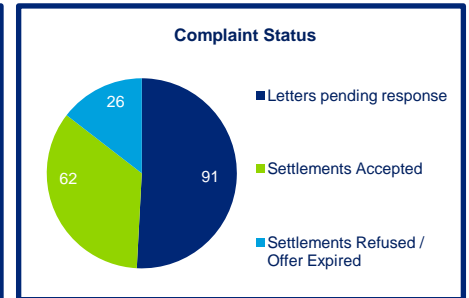
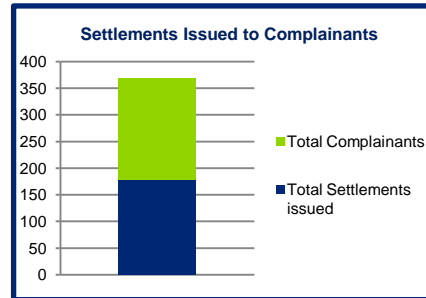
Complex Complaints Case Reviews & Settlements



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	£1.447m
Settlements offered to date	£418k
Settlements paid to date	£115k



Finance

Programme dashboard as at 25 March 2015

Progress

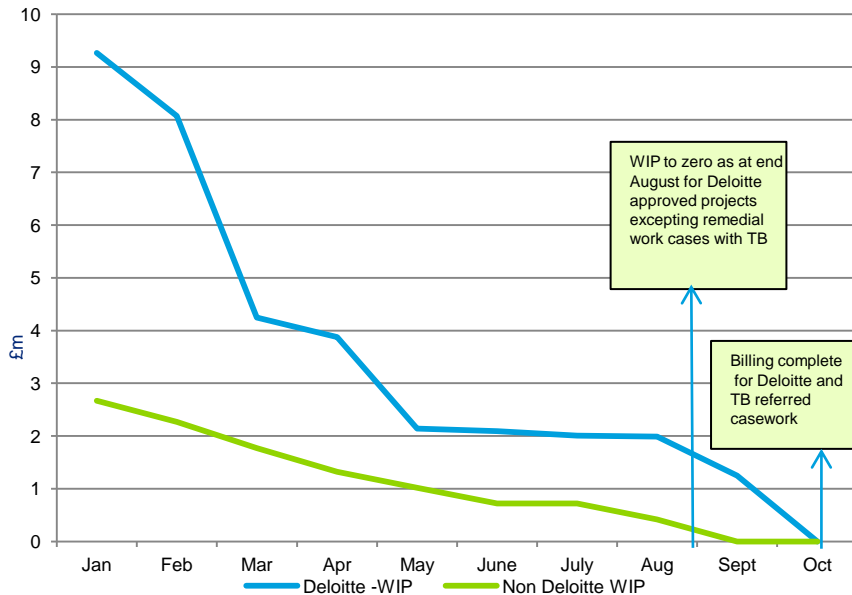
- Billing has steadily increased to £11.8million with £5.7m recovered. A further £5.4m remains to be billed.
- With the exception of a small number of on-site projects, billing will be complete as at end August 2015.
- The WIP for unbilled cases has reduced from £22m as at Jan 2014 to £5m as at March 15.
- The full year budget forecast for the programme at March 2015 is £4.8m. This represents a £.04m reduction in anticipated spend due to slippage in IT and associated costs following the delayed full new services launch.

14/15 Budget Requirements

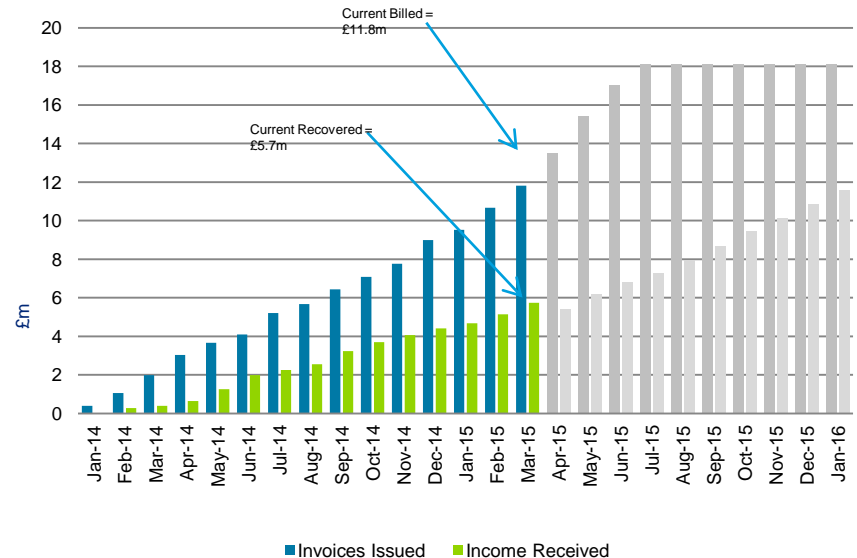
Summary	FY Revenue Budget	FY Forecast	FY Variance
Closure Programme & Defect Remedy Costs	£0	£3,626,843	£3,626,843
New Enforcement Service	£0	£706,357	£706,357
Shared Repairs Service	£0	£489,081	£489,081
TOTAL	£0	£4,822,281	£4,822,281

The overall budget for the New Shared Repairs Service and the legacy closure programme for 2015/16 has now been approved by Committee at £3.9 million.

Work in Progress



Projection of Deloitte approved Statutory notice repair debt





Legal & Debt Recovery

Programme dashboard as at 25 March 2015

Progress

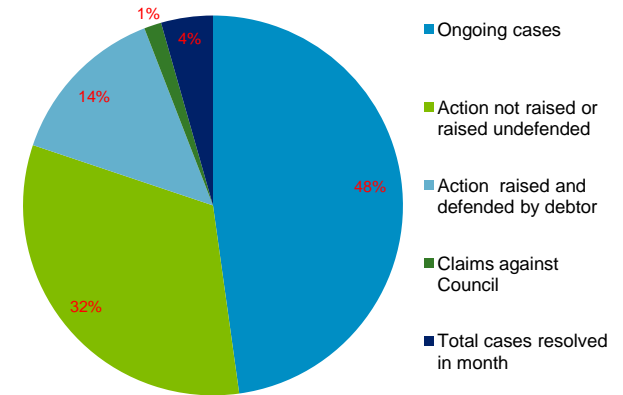
The scope of the existing contract with Morton Fraser has now been extended to include all statutory notice debt recovery under the revised debt recovery policy. It is anticipated that the number of debt recovery cases will increase as more projects are billed. The number of these cases which are contested 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 last 3 months, 17 cases have been resolved; 14 of these were resolved in the Council's favour, of which 3 were resolved by way of a settlement agreement. The other 11 were all 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.

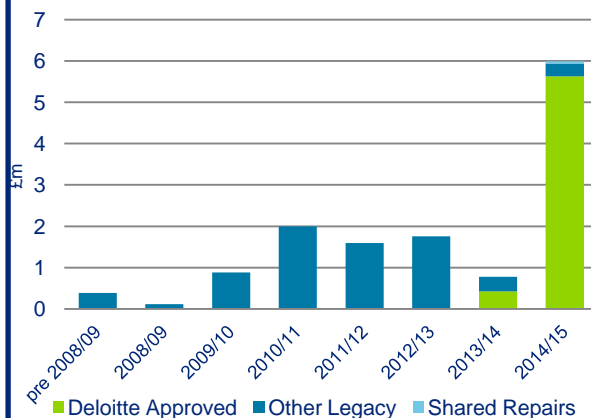
Legal Cases

	Jan 15	Feb 15	Mar 15
Total number of ongoing cases at month end	81	75	65
Debt pursued by Council - Action not raised or raised and undefended	60	55	44
Debt pursued by Council - Action raised against and defended by debtor	19	18	19
Claims raised against the Council	2	2	2
Total no of cases resolved during month	5	6	6
Resolved by the Council of which (x) were settled out of court	4 (1)	5 (1)	5(1)
Resolved against the Council of which (x) were settled out of court	0	0	0
Not pursued - i.e. owner sequestered, gone away etc	1	1	1

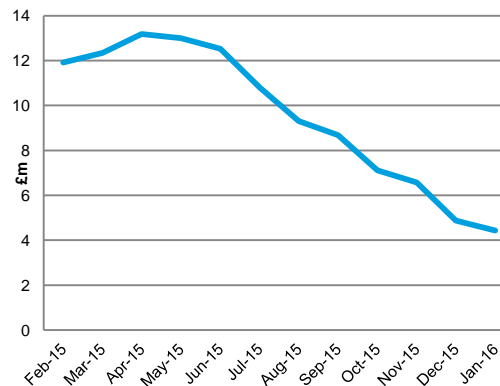
Legal Cases Across Legacy Service Mar 15



Aged Debt at 25 Mar - by year



Aged Debt Profile



Aged Debt breakdown

Status	Deloitte Reviewed	Other Legacy	Shared Repairs	TOTAL
On hold	£758,556	£85,103	£2,038	£845,696
Active	£2,836,466	£411,006	£39,181	£3,286,654
Suspend	£1,068,164	£5,111,092	£1,979	£6,181,235
Potential Legal Action	£1,393,722	£1,782,522	£8,287	£3,184,531
TOTAL	£6,056,908	£7,389,723	£51,485	£13,498,116

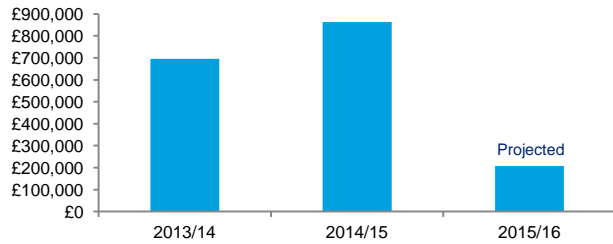


Projects

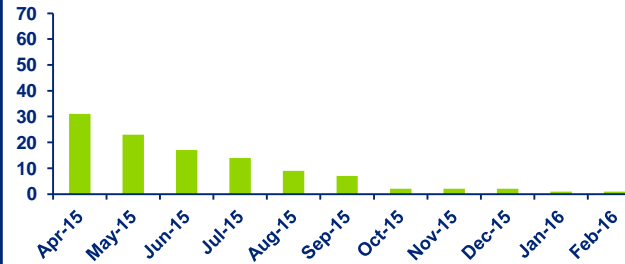
Programme dashboard as at 25 March 2015



Project Costs Incurred by the Council each year



Projects forecast in 15/16



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 most projects completed by October 2015.

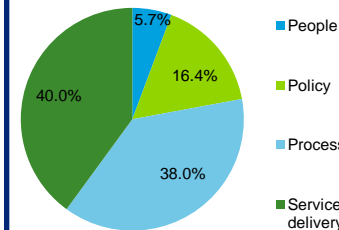


Customer Services

Programme dashboard as at 25 March 2015

CUSTOMER SERVICES KPI	Jan 15	Feb 15	Mar 15
No. of customer enquiries received	83	397	342
No. of customer enquiries closed	614	391	309
No. of solicitor enquiries	475	555	648
No. of customer complaints received	59	81	39
No of customer complaints closed	47	84	39
No of FOIs received new (reviews)	15	22	27

Types of complaints Closed Mar 15



Progress

Customer Services continue to see high volumes of enquiries. Solicitor enquiries continue to grow month on month. Complaints volumes dropped during March, Councillor enquiries have increased as more complaints reach the final stages and complainants look to other avenues for resolution.



Shared repairs

Programme dashboard as at 25 March 2015

SHARED REPAIRS KPI	Jan15	Feb 15	Mar 15	Trend
No of requests for advice/ info only.	268	303	251	↓
No. of service requests	88	82	110	↑
No of emergency repair inspections resulting in statutory notices issued	64	63	94	↑
No. of Emergency service requests where information/ advice was provided	24	19	16	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£259,775	272,035	297,994	↑
Value of income received from owners for emergency repairs (cumulative)	£209,803	219,099	239,163	↑

Progress

The number of requests for advice and information recorded this month have been the lowest amount so far this year however, the number of service requests received asking us to attend to emergency issues is the highest we have dealt with so far this year.



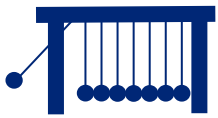
New Service

Programme dashboard as at 25 March 2015

OVERVIEW OF PROGRESS

A budget of £1.5m has been allocated to the new service for 2015/16 - a 30% reduction from the £2.16m required as per the blueprint design. An options report was submitted to Finance and Resources Committee on 19th March 2015, outlining the implications of the revised budget and requesting a decision on the way forward. Committee approved that the service be launched on a pilot basis from 1 September 2015, with the full launch delayed until March 2016 and the emergency service retained in the interim period. The key milestones and critical path will be reviewed and updated to match the new project timeline.

TIMESCALES														TOP RISKS	MITIGATION	RAG	
Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April			
														1. Recruitment	Recruitment timeline revised due to budget allocation. Most posts will not be filled until March 2016. No budget available to pursue co-source option if internal recruitment fails. Co-ordinated recruitment campaign provided candidates for the Head of Shared Repairs and Head of Surveying. Interviews will be held late March.	Red	
														2. Budget Pressure	IT and pilot project costs not fully known, estimates in place. Once full costs received decisions will be required over what should be developed or taken on by the service prior to March 2016.	Red	
OVERALL STATUS	RAG	COMMENTS															
Governance & Performance	Yellow	Draft key activities and milestones will be reviewed to aligned to the revised project timeline															
Communications	Yellow	Communication activity moved into early 2016. Development of new materials will be completed for the launch of pilot projects in September 2015.												3. IT Systems	Steering Group established to progress IT workstream. Working closely with ICT solutions team to engage an IT Project Manager to oversee design and implementation of both CRM and case management system. Initial draft IT project plan produced, further work to agree key activities planned. Case management system to be agreed through workshop with potential providers. Full costs to be developed, reviewed and agreed	Yellow	
Recruitment & Training	Yellow	Recruitment campaign to recruit senior management team closed. Budget reduction dictates that only the posts of Head of Shared Repairs and Head of Technical Services will be interviewed.															
IT	Yellow	User Stories developed, Finalising transactions and user requirements in progress. Workshop scheduled for late April with potential provider of the case management system															
Processes & Procedures	Yellow	A hierarchy of processes and procedures produced. Detailed Information trackers in development for each process area to progress production of manuals for the service.												4. Implementation team	Current project team are not part of the new service staff, so there is no new service rep currently involved in key decision making. Appointment of senior management ASAP is essential for effective handover.	Yellow	
Accommodation & Equipment	Yellow	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 Multi Trade Contractors on a framework is currently be explored, with input from Technical experts.															
INFORMATION / DECISIONS																	
1. Programme Board 14/04/2015 – agree Head of Shared Repairs appointment and preferred procurement route																	



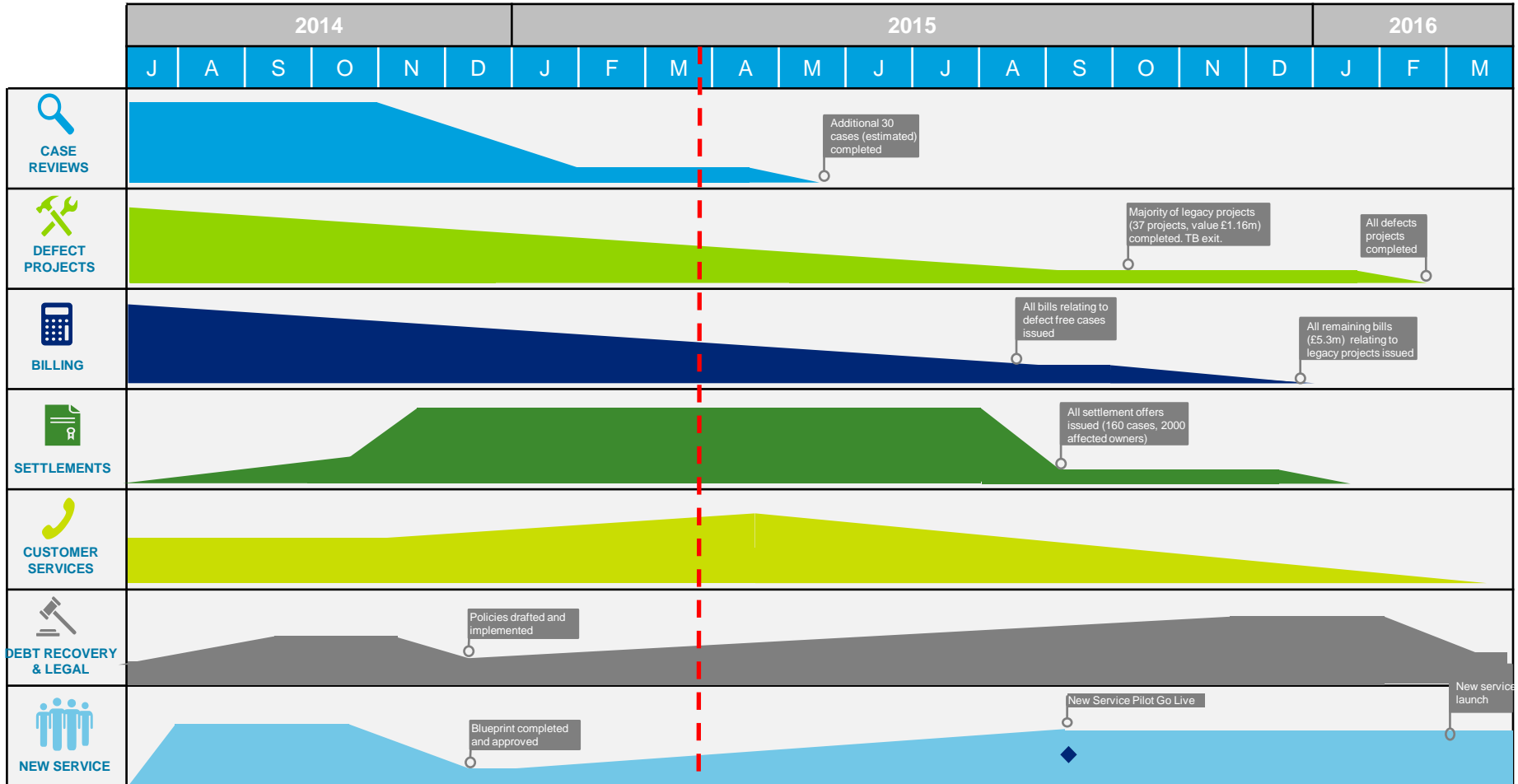
Programme Momentum – Remaining Activity

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



PROGRESS AND FORECAST

Below, an activity volume forecast is provided below to show the progress since the Programme Momentum was established in July 2015 and the estimated remaining programme to close the legacy service and launch the new replacement service.



Appendix 2

Property Conservation – Debt Recovery and Customer Care

Background

In July 2014 Programme Momentum was established as a robust end-to-end process across all workstreams relating to legacy Statutory Notice issues, including the development of a new shared repairs service. Throughout the early stages of the programme an analysis of the existing service was undertaken to provide an overview of processes, resources, activity volumes, IT systems and issues. As a result of this analysis, an interim organisational structure was implemented in October 2014. The interim structure arranged core activities into distinct teams including:

- a consolidated customer service team with a single customer contact gateway, refined complaint-handling processes and an improved online presence, with management seconded from the Corporate Customer Care Service;
- a robust finance and billing team with management support from the Corporate Finance Service; and
- a case review and settlement team leading the closure of all independently reviewed complaint cases.

To date, a large number of complaints and enquiries continue to be received by the Customer Services team mainly as a result of bills issued to owners following the case review process.

Debt Recovery and Customer Care

In March 2015 an extension in scope of the existing Morton Fraser debt recovery partnership was reported to the Committee. The extension of the partnership is designed to recover more debt more quickly in respect of Statutory Notice works than is currently possible because of Council resourcing, and to reduce the requirement to undertake formal proceedings. The new debt recovery arrangement with Morton Fraser began on 1 April 2015.

The additional scope is based on all statutory notice debt being handled by Morton Fraser, with debt passed to Morton Fraser at an earlier stage in the debt recovery process: 93 days after the initial invoice is issued. In the first instance all debtors will receive a 'soft' letter detailing the payment options available.

The revised arrangements with Morton Fraser will be fully in line with the Council's Corporate Debt policy, including the amended policy in respect of statutory notice debt approved by the Corporate Policy and Strategy Committee in December 2014. The revised policy for statutory notice debt provides owners with the opportunity to enter into extended payment plans of up to 10 years for larger debt, and to register a voluntary inhibition in respect of their debt.

Strong customer service links will be maintained throughout the process. At any point in proceedings owners can contact the Property Conservation Service to discuss the details of their outstanding debt and to establish the options available to settle this debt. Similarly, owners can discuss payment options and arrange payments direct with Morton Fraser. Staff from the Council's Accounts Receivable team, including the Council's Debt Recovery Manager, are seconded to the

service and provide a key resource in relation to advice and guidance for owners, as well as a core knowledge-base in the partnership with Morton Fraser's debt recovery team. This ensures that owners are able to access full details about payment options from the service or from the Morton Fraser team.

In addition to the customer service arrangements, robust client management protocols have been established with Morton Fraser to ensure consistent levels of customer service in the handling and collection of statutory notice debt. Weekly progress reports will be provided to the service manager outlining the progress and debt recovery status of each case. In addition, monthly progress review meetings are scheduled with the Morton Fraser team to monitor and capture the handling of cases. These client management arrangements ensure that key touch-points are in place for the escalation of debt from a 'letter prior to action' stage, through to formal court proceedings, with authorisation provided by the Head of Shared Repairs. Contentious cases are discussed with management at regular touch-points to provide ongoing oversight of the process.

Progress reports in relation to debt recovery will be included within the current Management Information dashboards and will be provided to the Programme Board and Committee on a monthly basis.