

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.29
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 financial statements for Delegated Authority - irrecoverable sums and settlements.
 - 1.1.3 To note the value of irrecoverable sums from Deloitte reviewed casework (Project Joule).
 - 1.1.4 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 July 2015.

Main report

Management information

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

Financial Recovery

Delegated Authority – Irrecoverable Sums & Settlements

- 3.2 As part of the 2014/2015 financial year end review process the adequacy of provision for Bad Debt and Irrecoverable Sums was considered by Finance and Property Conservation. Following review, and as a prudent measure, the total amount earmarked for Bad Debts and Irrecoverable Sums has been increased by £1.5m recognising a potential under provision for old legacy work and aged debts. This is in respect of old statutory notice bills which were not part of the Deloitte process. The total amount now set aside for Bad Debts and Irrecoverable Sums is £17.9m.

- 3.3 As at 25 July 2015 a total of £9.8m has been approved for write-off against this provision comprising irrecoverable sums of £6.7m, aged debt of £0.2m and settlements of £2.9m. The provision remains subject to regular review by the Head of Edinburgh Shared Repairs, the Head of Finance and the Deputy Chief Executive.
- 3.4 Committee is asked to note that the total of irrecoverable sums from Project Joule reviewed casework is finalised at £6.4m. This follows case reviews of 412 projects of which 265 projects with non-recovery amounts ranging from £0.01 to a single project irrecoverable sum of £508,094.88. Within the £6.4m non-recovery amount, the single largest cause was Value of Works Outside Notice at a value of £2.3m representing 36% of all reviewed casework.
- 3.5 Committee is also asked to note that under delegated authority for projects less than £50k an irrecoverable sum write off has been approved for works associated with 213 aged (>5 years old) legacy door closed entry systems with a value of £267,282 at an average of £1,254 per address. This sum is contained within the overall Bad Debt and Irrecoverable Sums provision.

The current provision remains under review.

Billing Process

- 3.6 As at 25 July 2015, billing on Deloitte reviewed cases has now reached £17.4m with £8.2m received in payments. There are 7 projects with a value of £0.6m (including administration charge) remaining to be invoiced. The current average monthly repayment rate is 59%.
- 3.7 The remaining Work In Progress (WIP) figure is £1.6m which includes Deloitte Project WIP of £0.5m. Billing for Deloitte defect free cases is now complete. Those few remaining cases requiring defect works will be completed in Autumn 2015. The total Irrecoverable WIP for the Deloitte reviewed casework is finalised at £6.4m.
- 3.8 The provision for impairments and irrecoverable sums has been reviewed with the total provision being retained at £17.9m. As at 25 July 2015, a total of £9.8 million has been written-off against this provision.

Debt Recovery

- 3.9 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 662 invoices with a total value of £3m have been forwarded to Morton Fraser for collection.
- 3.10 Based on the Morton Fraser status report of 17 July 2015 there has been debt settlement by 46 (20%) customers at a value of £0.2m (9%) and instalment arrangements agreed by 16 (7%) customers at a value of £0.2m.(7.9%). This represents an overall total to date of 62 customers (27%) with a total payment commitment of £0.5m (17%).

- 3.11 As at 25 July, every £1 spent on fees has a current rate of return of £122 per debt recovered.
- 3.12 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

Complaint Resolution & Settlements

- 3.13 The settlement process for complainants remains on target to be completed in Summer 2015.
- 3.14 The total number of settlement letters issued to date are 1644 resulting in 1143 individual cases now being closed. Acceptance rates from complainants are 69% and other affected owners are 70%.

New Service update

Pilot

- 3.15 The pilot for the new service will run between September 2015 and March 2016.
- 3.16 The purpose of the Pilot is to test the practice and procedures designed by Deloitte for implementation in to the new service ahead of the launch in April 2016. The procedures cover the four areas of the service:-
- Customer contact
 - Intervention
 - Enforcement
 - Finance
- 3.17 Deloitte have provided written procedural documents for each of these four areas of the service. These procedures have been developed in conjunction with the Council staff who will be responsible for these over the pilot period and in the new service.
- 3.18 During the closure of Property Conservation a number of property owners have been in contact with the service requesting Council assistance with property repairs. The cases brought to the Service have been considered for inclusion in the Pilot.
- 3.19 From September a small number of requests from owners will be assessed using the new procedures.

ICT Delivery Plan

- 3.20 The new ICT approach was agreed by the Property Conservation Board on 15 July. The approach delays the implementation of a new system until 2016/17 with the following deliverables for 2015/16:

- Continued utilisation of the current Shared Repairs systems, with system improvements delivered to support the service until a new system is in place next year.
- Improved and new reports to support the new service.
- Data cleanse of relevant data, both from legacy and new service to enable the migration of data to the new system at a later date and to facilitate the closure of legacy ICT systems.

Updated system training to support standards of data collection across the service and a draft records management policy with defined retention policies of records

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 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

Chief Operating Officer

Deputy Chief Executive

Contact: Andrew Field, Head of 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	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



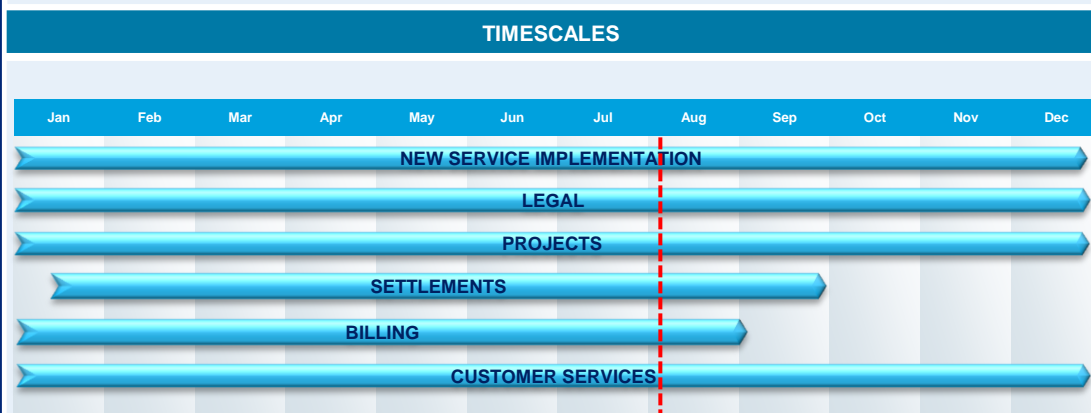
Programme Momentum Dashboard July 2015

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



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. Progress is being made in key areas for the pilot of the new service in September 2015 with the full launch in March 2016. The main risks to the launch of the New Edinburgh Shared Repairs Service are in relation to budget pressures which impact upon recruitment and ICT development. 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 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 underway but reputational and financial risk remains high.	Yellow
5. IT Systems	Alternative IT approach approved at July Board. Addressing IT activity underway to improve systems ahead of new service launch.	Red
6. Procurement	Recommended Procurement strategy to be presented to August Board.	Yellow

OVERALL STATUS	RAG	COMMENTS
Customer services	Yellow	Complaints decreasing but Councillor enquiries and FOI requests remain high
Billing	Green	7 cases remain to be billed and are on target for completion within reported timescales
Legal	Red	Steady increase in the number of cases requiring legal action and in numbers being resolved.
Case Reviews and Settlements	Yellow	All Momentum cases are completed. Additional cases commenced. Settlement process implemented
New service	Yellow	Implementation activities have commenced. ICT functionality, Procurement and Recruitment provision 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 ICT Development and Procurement Strategy paper for consideration by Programme Board in August

KEY PLANNED ACTIVITIES
<ol style="list-style-type: none"> Bidders day planned to test market interest on Contractor Framework Develop new service governance, policy and performance framework Begin training and finalise pilot projects Client and performance management of debt recovery partnership Continued focus on billing and settlements activities





Settlements

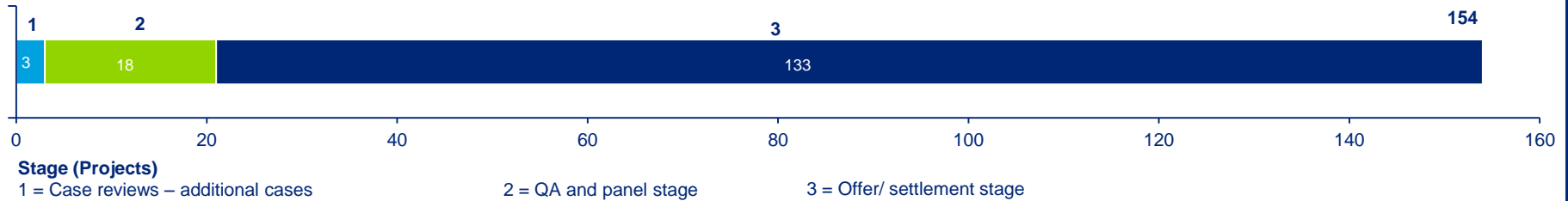
Programme dashboard as at 25 July 2015



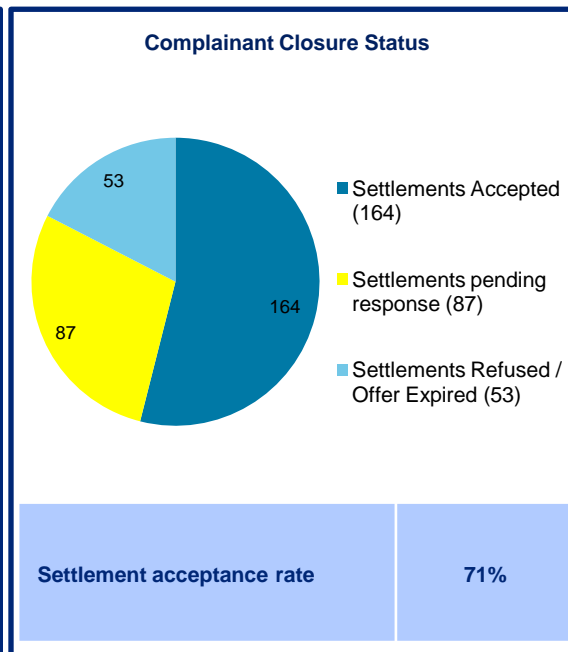
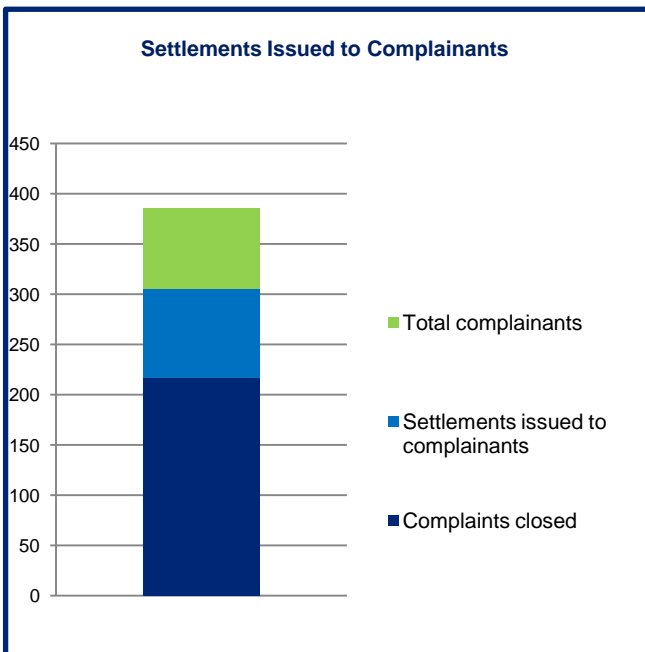
Progress

The settlement process for complainants remains on target to be completed by Summer 2015, with Deloittes currently working on the last 3 cases which are expected to be completed at the end of July 2015. The total number of settlement letters issued to date are 1644 resulting in 1143 individual cases now being closed. Acceptance rates from complainants are 69% and other affected owners are 70%. Of the 501 open cases, follow up letters have been issued however; the numbers still not responding is 36%. An exercise to analyse these non responding owners will be carried out at the end of the settlement process or earlier if possible.

Complex Complaints Case Reviews & Settlements

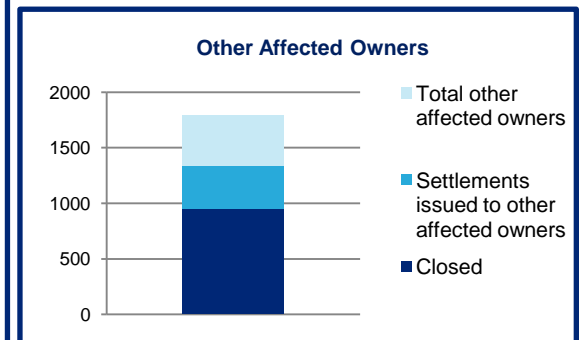


Settlement Status



Settlement Value

Total Value of projects reviewed	£8.638m
Total settlements approved under delegated authority	£2.91m
Settlements paid/credited to date	£1.7m

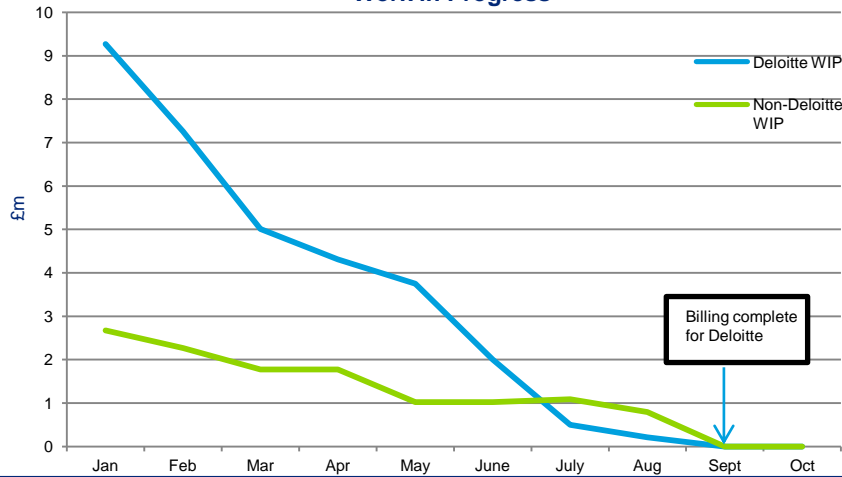




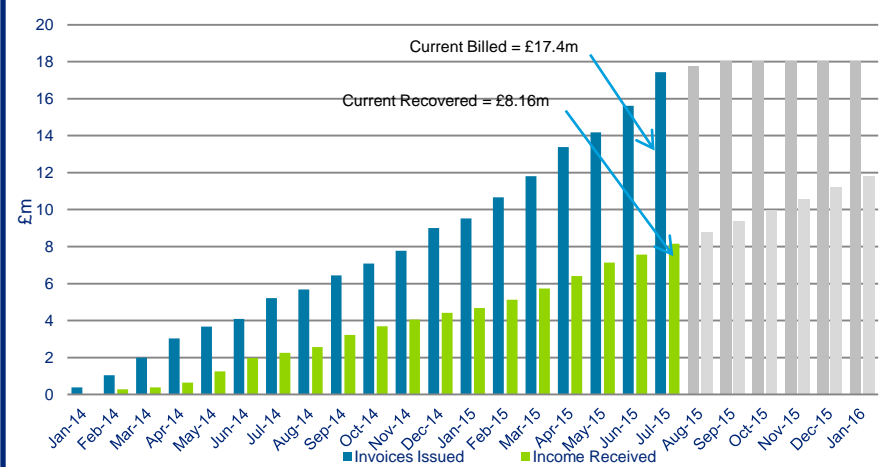
Progress

Billing on Deloitte reviewed cases has now reached £17.4m with £8.16m received. As at 25th July 2015 there are 7 projects with a value of £0.575m (including administration charge) remaining to be invoiced. The remaining Work In Progress (WIP) figure is £1.6m which includes Deloitte Project WIP of £0.5m. Billing for Deloitte defect free cases is now complete. A target date of October 2015 has been set for those few remaining cases requiring defect works. The total Irrecoverable WIP for the Deloitte reviewed casework is finalised at £6.4m

Work in Progress



Projection of Deloitte approved Statutory Notice repair debt



15/16 Budget Requirements

	Revenue Budget 2015/2016 £	Period budget to 30/06/15 £	Spend to 30/06/15 £	Variance to 30/06/15 £
Closure Programme & Defect Remedy Costs	2,103,243	432,499	270,706	-161,793
New Enforcement Service (implementation and pilot launch from 01/09/2015)	1,400,000	234,705	228,787	-5,918
Shared Repairs Service(part year to 31 August 2015)	137,680	91,227	100,266	9,039
TOTAL BUDGET 2015/2016	3,640,923	758,431	599,759	-158,672



Debt Recovery

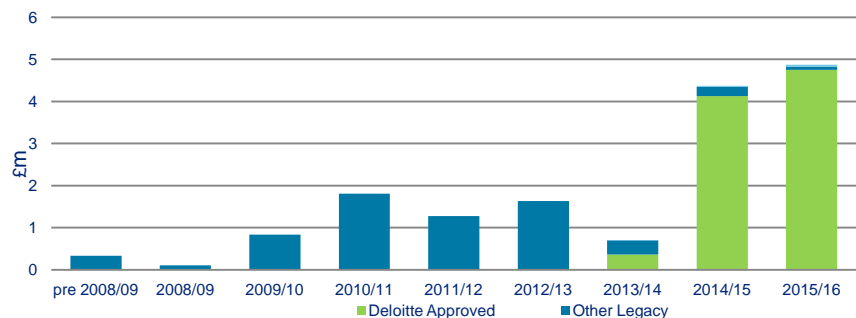
Programme dashboard as at 25 July 2015



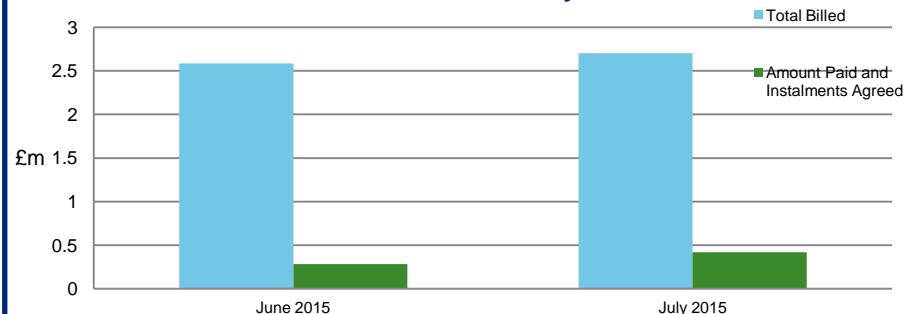
Progress

The total aged debt for the Council remains an issue with outstanding £15.9m. Of this figure a total of £10.8m is being pursued through active billing. Morton Fraser recovery or other legal collection. A further £5.1m is either being prepared for legal action or is suspended legacy debt. .

Aged Debt at 25 July by year



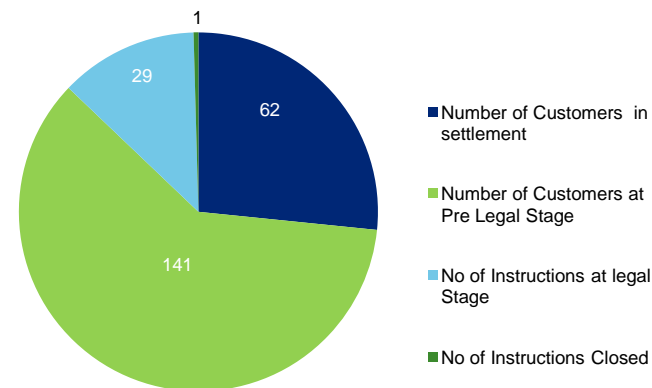
Morton Fraser Recovery Rate



Debt Status	Deloitte Reviewed	Legacy and Shared Repairs	Total
Total debt being pursued	£8,564,789.79	£2,226,012.20	£10,790,801.99
Total debt scheduled for action	£673,528.59	£4,452,654.41	£5,126,183.00
Total Debt	£9,238,318.38	£6,678,666.61	£15,916,984.99
Instalment plans agreed within debt total	£1,198,779.09	£416,884.33	£1,615,663.42

Morton Fraser Debt Recovery Cases pursued by the Council	June	July
Total debt recovery cases pursued by Morton Fraser	212	233
Total value of instructions issued	£2.6m	£2.7m
Total debtors settled or in payment plan	42	62
Total sum recovered or in payment plan	£0.3m	£0.5m
Total sum recovered of in payment plan as % of debt recovery	11%	17%

Debt Recovery Overview





Legal Claims

Programme dashboard as at 25 July 2015



Progress

There are currently no live court cases raised against the Council by owners. The last was resolved in the Council's favour in June.

Legal claims raised against the Council	Apr 14 – July 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 July 2015

Progress

Customer Services has seen a dip in volumes of enquiries compared to previous months.

Solicitor enquiries remain at a high level.

FOI enquiries has dipped considerably in July compared to June possibly due to holiday period.

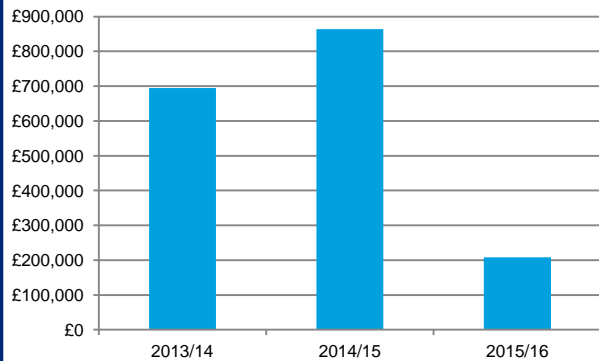
Customer Services	May 15	Jun 15	Jul 15
No. of customer enquiries received	571	655	543
No. of customer enquiries closed	569	697	627
No. of Solicitor enquiries	768	784	707
No. of customer complaints received	33	23	10
No of customer complaints closed	36	20	14
No. of FOI's received	29	38	13



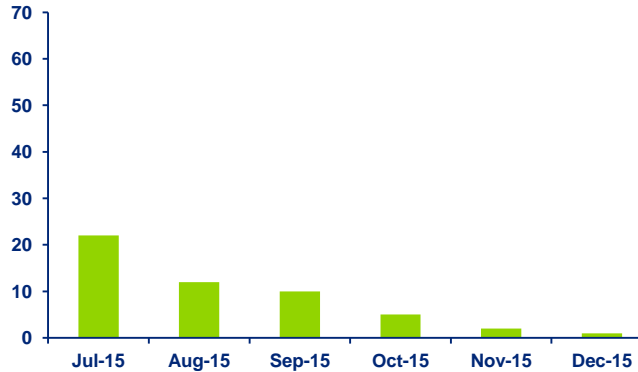
Projects

Programme dashboard as at 25 July 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.

Projects are due to be completed by the end of 2015.



Shared repairs

Programme dashboard as at 25 July 2015

SHARED REPAIRS KPI

SHARED REPAIRS KPI	May 15	Jun 15	Jul 15	Trend
No of requests for advice/ info only.	297	260	250	↓
No. of service requests	74	97	98	↑
No of emergency repair inspections resulting in statutory notices issued	45	67	69	↑
No. of Emergency service requests where information/ advice was provided	29	30	29	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£602,869	£633,175	£665,050	↑
Value of income received from owners for emergency repairs (cumulative)	£513,654	£534,463	£564,906	↑

Progress

- The number of requests for advice has reduced by 4%
- The number of requests for service has reduced by 10%.
- For invoices issued prior to the end of March 2015, the collection rates are 85% for Shared Repairs.
- Stats showing that the advice being provided remains consistent with previous months.

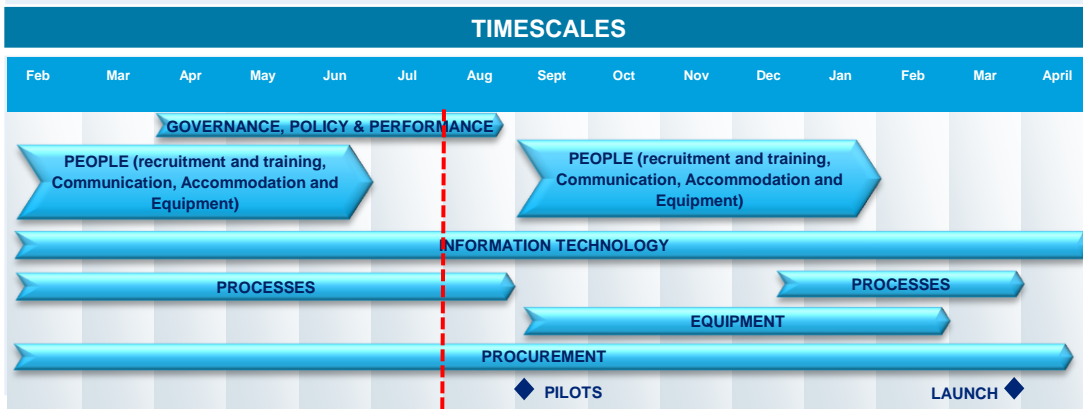


New Service

Programme dashboard as at 25 July 2015

OVERVIEW OF PROGRESS

The project remains on course to deliver within timetable and budget. The focus of activities during July has been preparation for the pilot phase of the project – drafting has continued of the four procedure manuals, a Senior User identified for each manual and detailed review meetings held. A range of potential projects, largely emanating from non-Emergency requests to SRS, have been identified to test the procedures during the pilot phase, and resource and training plans have been drafted. A Pilot Planning and Procedure review workshop was held with the Head of Service on 30 July to review progress and prioritise activities for August. Procurement soft market testing has completed and the draft Procurement Strategy is being presented to the Programme Board on 10 August. Following approval of the new IT workstream approach, the IT Project Manager has drafted a detailed project and resource plan for review and held initial staff awareness sessions.

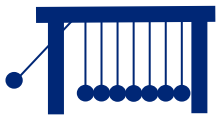


TOP RISKS	MITIGATION	RAG
1. Unable to deliver against blueprint due to budget pressures	Recruitment profile and ICT spend have been changed to fit the new budget allocation. Ongoing analysis of costed business plan ahead of budget setting.	Red
2. New IT functionality not in place for full service launch	Alternative IT approach approved by Board in July. Interim IT activity to be undertaken to improve legacy systems and reporting ahead of new service launch.	Red
3. Market interest in Contractor Framework is low	Soft market testing demonstrated market interest, however bidder's day planned to test interest further. Recommended Procurement Strategy drafted for Programme Board consideration.	Yellow
4. Unable to secure technical resource due to recruitment and budget issues	Option to co-source to be revisited under new budget constraints	Yellow

OVERALL STATUS	RAG	COMMENTS
Governance, Policy & Performance	Green	Draft Governance, Policy and Performance framework prepared for review by Programme Board. Performance and Policy elements to be tested during the Pilot phase.
People	Yellow	Recruitment on hold until September 2015. The pilot will facilitate a review of recruitment requirements in line with demand and within the remaining budget. SRS Service Review to be signed off and communicated by December.
IT	Red	New IT approach approved at July Board. Detailed plan and resource requirements has been drafted for review by the Implementation Panel.
Processes	Green	Senior Users identified for procedure manuals and one-to-one review meetings have been held. Head of Service review session has been held with final drafting prior to Pilot projects to be completed in early August.
Procurement	Yellow	Recommended Procurement Strategy presented to Programme Board for approval. Draft plan to issue PQQ to contractors in October 2015 with projected award in Summer 2016.

INFORMATION / DECISIONS

Programme Board 10/08/2015 – Procurement Strategy presented for approval. Draft Governance Framework and plan for pilot projects to be noted.



Programme Momentum – Remaining Activity

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



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.

