

Finance and Resources Committee

10.00am, Thursday, 26 November 2015

Property Conservation – Programme Momentum Progress Report

Item number	7.23
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 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 October 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. The settlements process introduced in April has run successfully with 1 case remaining for review.

Management information

- 3.2 Management Information as at 25 October 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 Following review there has been a re-alignment within the provision that transfers £0.3m from irrecoverable WIP to meet the increase of £0.3m in the provisions for settlements to meet expected need of £4.2m upon review closure.
- 3.5 As at 25 October 2015 a total of £10.9m has been approved for write-off against the provision comprising irrecoverable sums of £6.7m, aged debt of £0.3m and a total value of £3.9m for settlements to date.
- 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 and Recovery Update

- 3.8 Billing on Deloitte reviewed projects is now complete at a total of £18m. As at 25 October 2015 a sum of £9.8m has been received in payments.
- 3.9 In addition, a further £1.3m in payment plans has been secured and a further £0.1m secured through inhibitions.
- 3.10 The sum settled (£9.8m) and secured to date (£1.4m) totals £11.2m which represents a current collection rate of 62% in terms of debt collected and secured debt.

Debt Recovery – Morton Fraser

- 3.11 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 402 instructions have been issued to Morton Fraser with a total value of £4.9m for debt collection.
- 3.12 Based on the Morton Fraser status report of 25 October 2015 there has been debt settlement by 53 (13%) customers at a value of £0.5m (10%) and instalment arrangements agreed by 44 (11%) customers at a value of £0.5m (10%). This represents an overall total to date of 97 customers (24%) with a total payment commitment of £1m (20%).
- 3.13 As at 25 October 2015 the percentage solicitor's fees against sums recovered is 1%. The solicitor's fee to debt recovery ratio is £102 recovered for every £1 spent.
- 3.14 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

Complaint Resolution & Settlements

- 3.15 The settlement process for complainants remains on target to be completed by Autumn 2015, subject to one additional case anticipated from Deloitte in November 2015. Closure in respect of half of all settlement cases has now been reached, with more than 93% of all complainants issued with settlement. Acceptance rates from complainants are at 51%. Settlements to other affected owners are progressing with settlements communicated to 1,462 owners.

New Service update

- 3.16 The pilot for the new service commenced on 1 September 2015 and will run until the end of March 2016.
- 3.17 The purpose of the pilot is to test various 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

Customer Contact: 6 Cases

- 3.18 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.
- 3.19 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.
- 3.20 The Customer contact team are following up six potential cases at present.

Facilitation: 2 cases

- 3.21 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. In a recent case, where the Council were responsible for providing emergency scaffolding, the service arranged meetings with contractors, permit/roads officer and owners to facilitate scaffold hand-over.
- 3.22 There are two cases in facilitation at present.

The Intervention Service: 3 Cases

- 3.23 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. 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.
- 3.24 Case officers currently have three cases with correspondence on-going with the lead owner and all other owners at each of these properties. Early progress has indicated that two cases are likely to be submitted to the Project Panel for a decision to take these into the Enforcement part of the service.

The Enforcement Service: 1 Project

- 3.25 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.
- 3.26 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.
- 3.27 This is a major repair project. The defects are numerous and include structural works, stonework repairs, flat roof replacement and slate roofing repairs. The Cost Estimate No. 2 has been prepared and amounts to £376,000. Cost estimate No. 2 has been issued to the owners together with the building survey report and a letter outlining the programme and details of the project.

New Edinburgh Shared Repair Service launch

- 3.28 Throughout the pilot period, work will continue on additional implementation activities prior to the full service launch – notably Procurement, Recruitment and ICT.
- 3.29 The procurement strategy has been agreed by the Programme Board. The PQQ for the new contractors framework will be issued in November 2015. This follows PQQ training offered to contractors and being carried out by Corporate Procurement on behalf of the service. The framework contract is programmed to be in place by July 2016.
- 3.30 Recruitment of the required technical resource is underway, with two Building Surveyors identified following interviews during September. Both surveyors are now in post.
- 3.31 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

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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

October 2015

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

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.

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 93% of complainants have been issued with settlement with an acceptance rate of 51%.
Debt Recovery	Red	Debt outstanding is currently £14.6m. Of this debt £9.3m 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. There is £2.4m of this debt secured through payment plans and inhibitions
Projects	Yellow	Thomson Bethune are currently working on 11 projects which will be completed by Winter 2015. 1 project is programmed to be completed during October. 5 projects are programmed to be completed during November. 5 projects are programmed to be completed during December
Customer services	Yellow	There remains a high volume of customer contact across the legacy service.

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.

NEW SERVICE

The Project is on track to deliver on time and within budget, and the Pilot phase continues to test the draft procedure manuals on 11 Pilot Projects. A Bidders Day was held in October which attracted 22 Organisations and the procurement process will commence through the issuing of a PQQ. The position of the new service in the CEC structure is still to be decided and a full service review is to be undertaken before the full service launch in April 2016. Two Building Surveyors have been appointed and both will be in post in November 2015.

TOP RISKS	MITIGATION	RAG
1. Lack of Market interest in Contractor Framework	Bidders Day held in October. PPQs will be issued on 16/11/15. The returns will indicate the level of market interest.	Red
2. Unable to recruit suitable technical resource	Two surveyors appointed. Recruitment of suitable technical resource will continue to be monitored	Yellow
3. 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
4. Position of Service within CEC Corporate structure	Meetings ongoing to determine position of service in new CEC structure.	Yellow
5. Customers have unrealistic expectations for the New Service	Ensure that communication to the current stakeholders is clear and that information available on web pages is up to date for launch. Communication Strategy is required.	Green

OVERALL STATUS	RAG	COMMENTS
Governance	Yellow	Costed Business Plan approved by the Board in October. Requirement to identify position of service in new structure.
People	Yellow	Two Building Surveyors have been appointed. The pilot will facilitate a review of remaining recruitment requirements in line with demand and within the remaining budget. ESRs Service Review to start in January 2016.
IT	Yellow	Database for Pilot Service up and running and being tested with Pilot Projects. Data cleansing report to be submitted to November board. Quotation received from IDOX for upgrade to Uniform System.
Processes	Green	Draft procedure are being testing during Pilot phase. Proposed changes are being tracked, interim procedures will be updated in November.
Procurement	Green	Bidders day held on 14 October 2015, attended by 22 organisations. Plan to issue PQQ to contractors in November 2015 with projected award in Summer 2016.

INFORMATION / DECISIONS

Closure programme staffing to be agreed.
Service placement to be agreed.



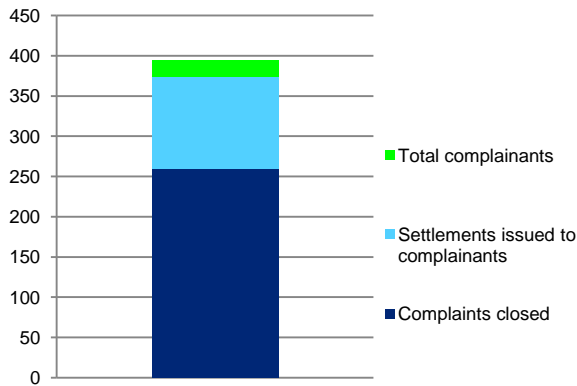
Settlements & Customer Service

Programme dashboard as at 25 October 2015

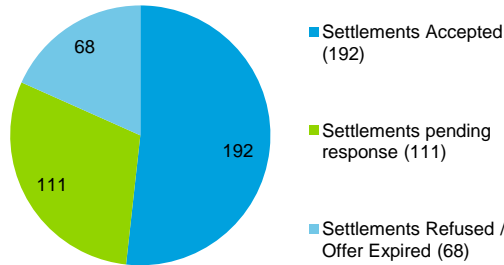
Progress

The settlement process for complainants remains on target to be completed by Autumn 2015, subject to one additional case anticipated from Deloitte in November 2015. Closure in respect of half of all settlement cases has now been reached, with more than 93% of all complainants issued with settlement. Acceptance rates from complainants are at 51%. Settlements to other affected owners are progressing with settlements communicated to 1,462 owners. Settlements to all other affected owners is anticipated to be complete by Autumn 2015.

Settlements Issued to Complainants



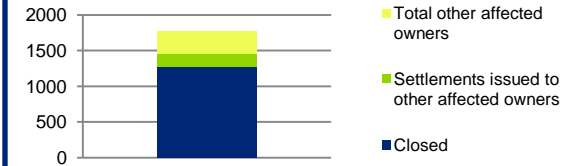
Individual Complainant Closure Status



Settlement Value

Total Value of projects reviewed	£12.2m
Total settlements approved under delegated authority	£3.9m
Settlements paid/credited to date	£2.2m

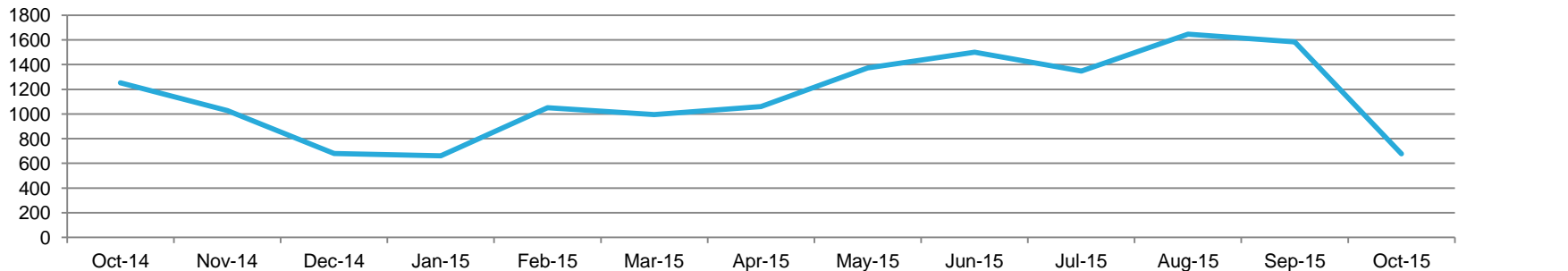
Other Affected Owners



Progress

Property Conservation Legacy service has been dealing with a steady flow of customer enquiries averaging around 250 per week during 2015. 93% of these were dealt within the Council's service standards against a target of 90%.

Enquiries/Complaints Closed





Finance (Debt Provision and Budget)

Programme dashboard as at 25 October 2015

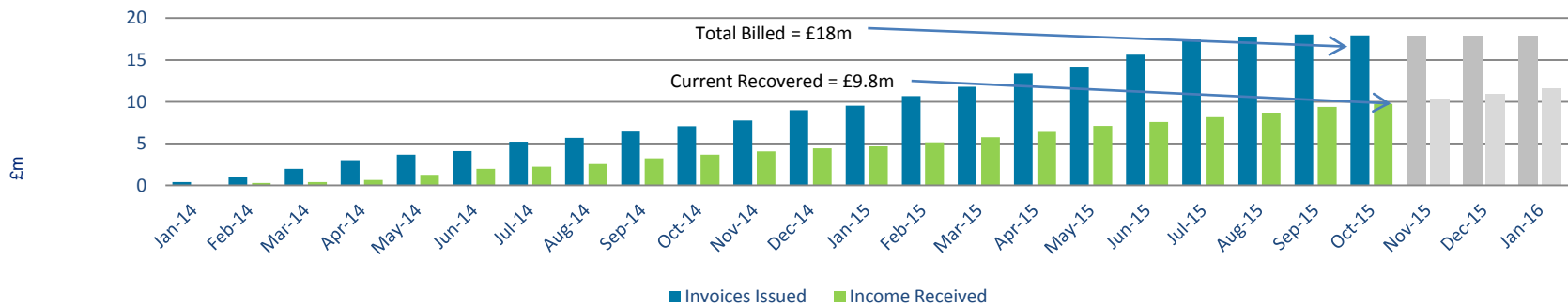
Progress

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £18m. £9.8m has been received with further secured debt of £1.4m in payment plans (£1.3m) and inhibitions (£0.1m) giving a total of settled and secured debt of £11.2m.

Total Project Joule debt outstanding is £8.2m. After taking the secured debt of £1.4m into account the debt outstanding is £6.8m.

Impairments approved to date is £10.9m against the provision of £17.9m.

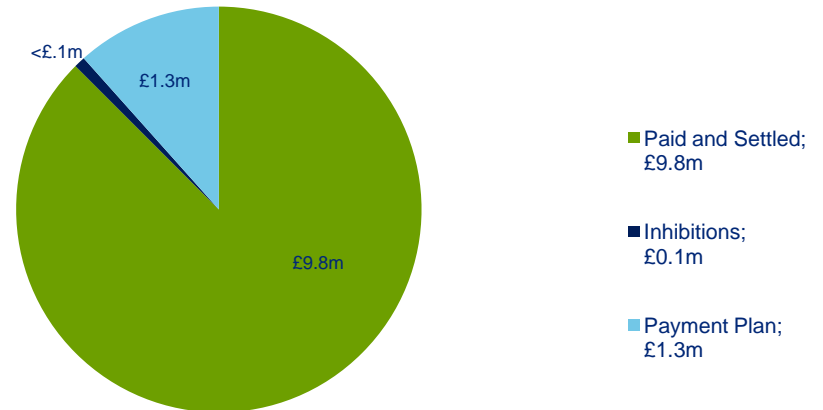
Projection of Deloitte approved Statutory Notice repair debt



15/16 Budget Requirements

	Budget 2015/2016	Budget to 30/09/15	Spend to 30/09/15	Variance to 30/09/15
	£'000	£'000	£'000	£'000
Closure Programme & Defect Remedy Costs	2,103	1,164	708	(456)
New Enforcement Service (implementation and pilot launch from 01/09/2015)	1,400	469	516	47
Shared Repairs Service(part year to 31 August 2015)	138	127	216	89
TOTAL BUDGET 2015/2016	3,641	1,760	1,440	(320)

Deloitte Project Joule Debt Recovery





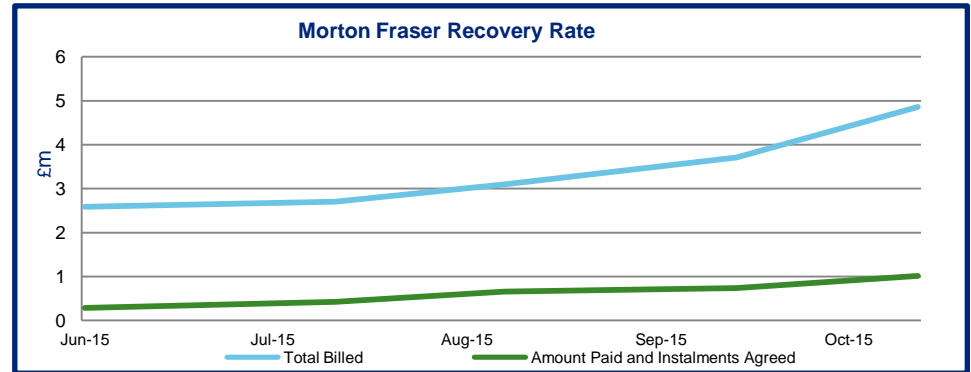
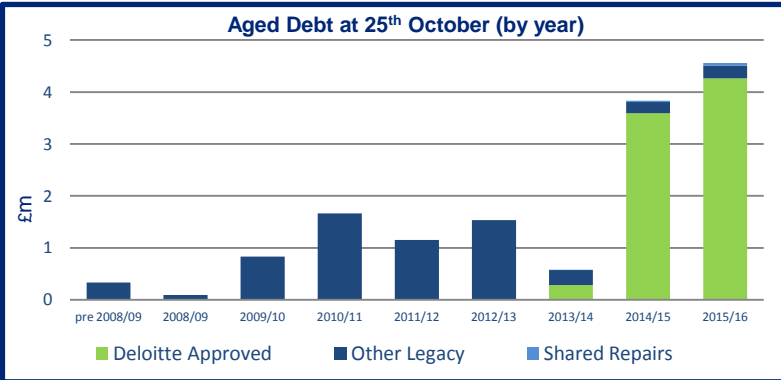
Debt Recovery

Programme dashboard as at 25 October 2015



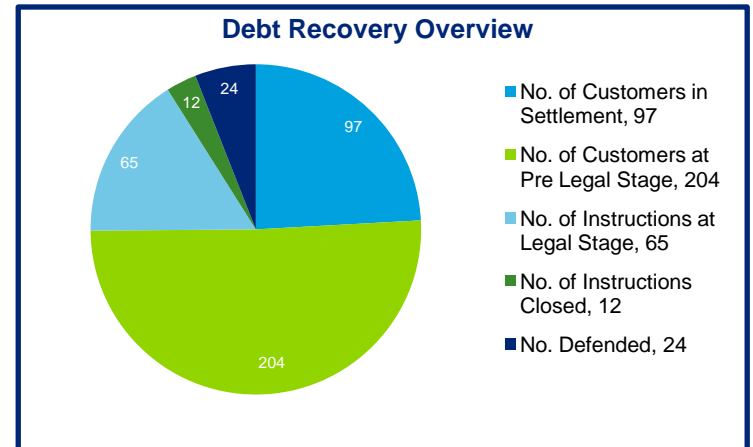
PROGRESS

The current level of debt outstanding is £14.6m of which £8.2m is Deloitte (Project Joule) reviewed debt and £6.4m of Legacy and Shared Repairs debt. Of the debt outstanding a total of £9.3m is being pursued through active billing, Morton Fraser recovery or other legal collection. The remaining debt of £5.3m is either being prepared for legal action or is suspended debt and includes a sum of £3.9m for outstanding legacy debt of which £3.2m is suspended debt. There is £2.4m debt secured through payment plans and inhibitions.



Debt Status	Deloitte Reviewed	Legacy and Shared Repairs	Total
Total debt being pursued	£6,779,959	£2,529,841	£9,309,800
Total debt scheduled for action	£1,364,553	£3,896,831	£5,261,384
Total Debt	£8,144,512	£6,426,672	£14,571,184
Payment plans and inhibitions agreed within debt total	£1,358,007	£982,285	£2,340,292

Morton Fraser Debt Recovery Cases pursued by the Council	July	August	September	October
Total debt recovery cases pursued by Morton Fraser	233	294	349	402
Total value of instructions issued	£2.7m	£3.1m	£3.7m	£4.9m
Total debtors settled or in payment plan	62	67	74	97
Total sum recovered or in payment plan	£0.5m	£0.7m	£0.7m	£1.0m
Total sum recovered in payment plan as % of debt recovery	17%	21%	19%	20%





ESRS Pilot Phase Dashboard

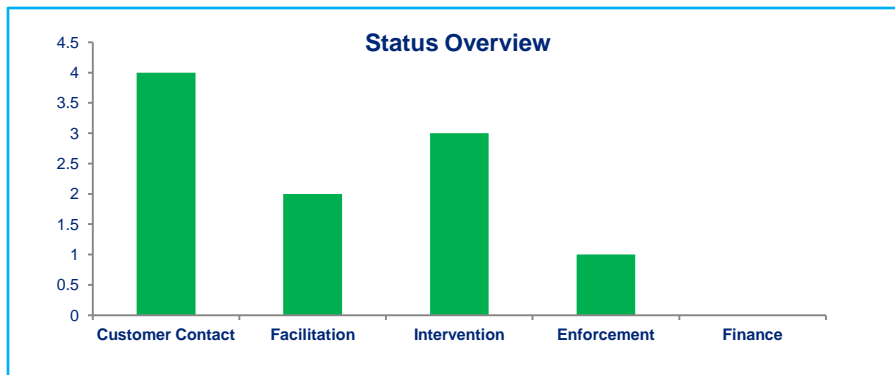
Programme dashboard as at 25 October 2015



OVERVIEW OF PROGRESS

The Pilot Phase started in September 2015. The Pilot Phase currently consists of twelve open cases with successful intervention achieved on a thirteenth project. Work is progressing on the Major Works project, the estimated value of the project has risen from the £250k estimate given to residents by a consultant in 2012. This project has now been estimated by the service at a value of £376k.

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



EMERGENCY SERVICE

Emergency Repairs Team: 87% of all emergencies this month related to drainage issues. The remaining 13% were mainly related to roof defects. The team received 3 requests from Police Scotland for assistance in dealing with a lorry which had jack knifed into the Omni Centre, dangerous railings following a car accident and a serious incident in Princes Street where a slate had fallen and hit a pedestrian.

PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement)	1		£376k
TOTAL	1	-	£376K

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	Aug 15	Sep 15	Oct 15	Trend
No of requests for advice/ info only.	186	265	170	↓
No. of service requests	100	74	66	↓
No of emergency repair inspections resulting in statutory notices issued	65	49	46	↓
No. of Emergency service requests where information/ advice was provided	35	25	20	↓
No of visits to SRS webpage (Google Analytics)	3001	3304	3153	↓
Solicitors Enquiries Received			626	
Solicitors Enquiries Completed			705	
Value of invoices issued to owners for emergency repairs (cumulative)	£693,010	£721,588	£743,918	↑
Value of income received from owners for emergency repairs (cumulative)	£587,618	£608,924	£642,469	↑