

Finance and Resources Committee

10.00am, Thursday, 14 January 2016

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

Item number	7.28
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.

Links

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

Report

Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service (ESRS) 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 end of the Thomson Bethune contract.
 - 1.1.5 To note that the current powers of delegation expire on 31 December 2015 and to approve an extension of the current delegated authority arrangements until 31 March 2016; and
 - 1.1.6 To note the progress of the Pilot process and that a phased implementation of ESRS will take place during the financial year 2016/17

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 November 2015.

Main report

Management information

- 3.1 Management Information as at 25 November 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 November 2015 a total of £11.1m has been approved for write-off against the provision comprising irrecoverable sums of £6.9m, aged debt of £0.3m 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 Director of Resources.

Billing and Recovery Update

- 3.6 Billing on Deloitte reviewed projects is now complete at a total of £17.7m.
- 3.7 To 25 November 2015 £10.1m has been received in payment from individual customers. A further £1.3m has been secured in payment plans and inhibitions. The recovery rate in terms of debt collected and secured debt is 64%.
- 3.8 The balance of debt of £6.3m (36%) 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, 421 instructions have been issued to Morton Fraser with a total value of £5m for debt collection.
- 3.10 For the 8 month period from April 2015 to 25 November 2015 the overall sums recovered or in payment plans secured by Morton Fraser total £1.1m (22%) over 110 customers (26%).
- 3.11 The costs of Morton Fraser to date in return for the £1.1m recovery is £22,000. As at 25 November 2015 the percentage solicitor's fees against sums recovered is 2%. 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.

Complaint Resolution & Settlements

- 3.13 The settlement review process for complainants is largely complete. One additional case remains to be received from Deloitte. Closure in respect of half of all settlement cases has now been reached, with more than 94% of all complainants issued with settlement. Acceptance rates from complainants are at 59%. Settlements to other affected owners are progressing with settlements communicated to 1,568 owners.

Projects

- 3.14 Thomson Bethune will complete their contract with the legacy programme at the end of December 2015. Thomson Bethune staff are currently working on 6 projects which will be completed or handed over to ESRS. The schedule for this is as follows:-
- 2 projects are programmed to be completed during December.
 - 1 project will be completed in January.

- There are 25 projects still in the defect period with 3 projects currently requiring intervention.

Delegated Authority

- 3.15 At its meeting on 5 June 2014 the Finance and Resources Committee approved the following arrangements for delegated authority powers to the Director of Corporate Governance 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 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 Director of Corporate Governance shall not exceed £100,000 per project;
 - c) Any proposed settlement by the Director of Corporate Governance shall not exceed a value of £100,000 per owner; and
 - d) The delegated authority shall expire on 31 March 2015 unless earlier renewed by the Finance and Resources Committee.
- 3.16 At its meeting on 3 February 2015 Committee agreed to extend the above delegated authority arrangements until 31 December 2015.
- 3.17 In order to continue with the legacy service progress and the resolution of cases it is recommended that Committee agrees to extend the existing delegated authority arrangements above until 31 March 2016, to be authorised by the Acting Executive Director of Resources.

New Service Update

Proposed Phased Implementation

- 3.18 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.
1. Council Transformation – The service will undertake a business review beginning early 2016 as part of the wider Council transformation.
 2. 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 have a dependency on this service by March 2017. This is in line with our current timescales. Early engagement has commenced ahead of the CGI contract start date.
 3. 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.
4. Testing of the all 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.
 5. 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. This should allow the service to recruit the correct quality of surveyors at the correct pay grades into the Council.

Pilot Progress

3.19 Customer Contact: 3 cases

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.

3.20 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.

3.21 The customer contact team are following up three potential cases at present. One of these is new this month.

Facilitation: 2 cases

3.22 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.

3.23 There are two cases in facilitation at present.

The Intervention Service: 6 cases

3.24 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.

3.25 Case officers currently have six 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 to these into the Enforcement part of the service.

Successful Intervention: 2 cases

3.26 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: 1 project

3.27 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.

3.28 This project is being progressed on behalf of owners and is currently in the procurement phase. The tenders were returned on 2 November, the quality submission has been evaluated and a consensus score established. The prices returned are currently being assessed by the project surveyor. A number of qualifications and errors are being cleansed at present. The service intends to be in a position to issue the tender report to procurement prior to the Christmas break, contract award will follow. The replacement Statutory Notice has now been issued. The Council have not received any notification of appeal therefore the section 26 notice will be issued in December.

New Edinburgh Shared Repair Service Implementation

3.29 Throughout the pilot period, work will continue on additional implementation activities prior to the full service launch – notably Procurement, Recruitment and ICT.

3.30 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.

- 3.31 Recruitment of the required technical resource is underway, with two Building Surveyors identified following interviews during September. Both surveyors are now in post.
- 3.32 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 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 £11.1m has been approved as at 25 November 2015.
- 5.3 The adequacy of the impairment and settlement provision remains under regular review by the Head of Edinburgh Shared Repairs and the Acting Director of Resources.
- 5.4 The overall 2015/16 available budget for 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

November 2015

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

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 pilot for the new service commenced on 1 September 2015 and will run until the end of March 2017. The pilot period has been extended to ensure the full implementation and testing of the new procedures developed by Deloitte and the Council. The extended time period will allow the risk items to be progressed prior to full launch of ESRS.

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

TOP RISKS	MITIGATION	RAG
1. 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
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
Case Reviews and Settlements	Yellow	The settlement process is nearing completion. At this time 94% of complainants have been issued with settlement with an acceptance rate of 59%.
Debt Recovery	Red	Debt outstanding is currently £13.6m. Of this debt £9.6m 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 are currently working on 6 projects which will be completed by Winter 2015. 2 projects are programmed to be completed during December. 1 project will be completed in January. 3 projects are due to be handed over to ESRS in December.
Customer services	Yellow	There remains a high volume of customer contact across the legacy service.

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 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. Quotation received from IDOX for upgrade to Uniform System.
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.
Procurement	Yellow	PQQ has been issued. Contractors framework is programmed to be in place by July 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 placement to be agreed.



Settlements & Customer Service

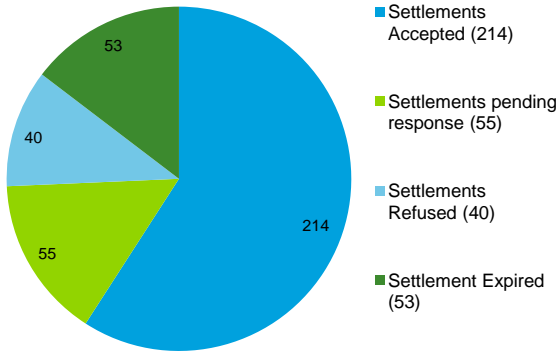
Programme dashboard as at 25 November 2015



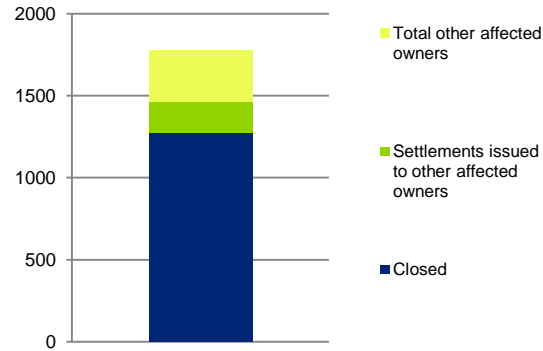
PROGRESS

Closure in respect of half of all settlement cases has now been reached, with more than 94% of all complainants issued with settlement. Acceptance rates from complainants are at 59%. Settlements to other affected owners are progressing with settlements communicated to 1,568 owners. Settlements to all other affected owners is anticipated to be complete by Winter 2015.

Complainant Closure Status



Other Affected Owners



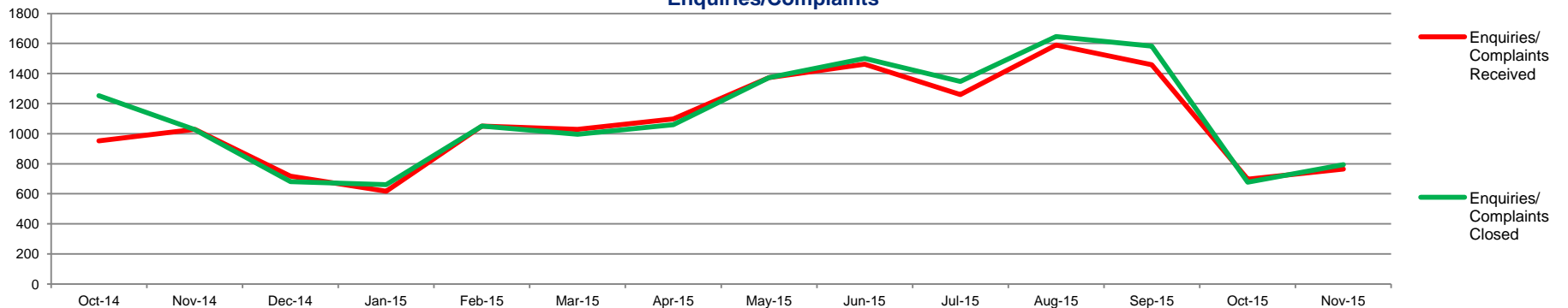
Settlement Value

Total Value of projects reviewed	£12.2m
Total settlements approved under delegated authority	£3.9m
Settlements paid/credited to date	£2.9m

PROGRESS

Customer Services has seen a slight surge in November on overall enquiries, FOI and SPSO requests. Response rate for FOI/SPSO requests was maintained at 100% with enquiries/complaints achieving 98% closed within target.

Enquiries/Complaints





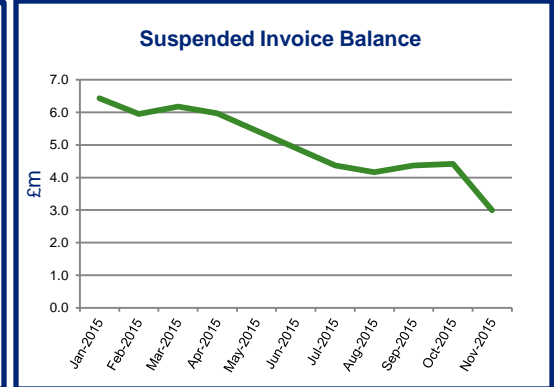
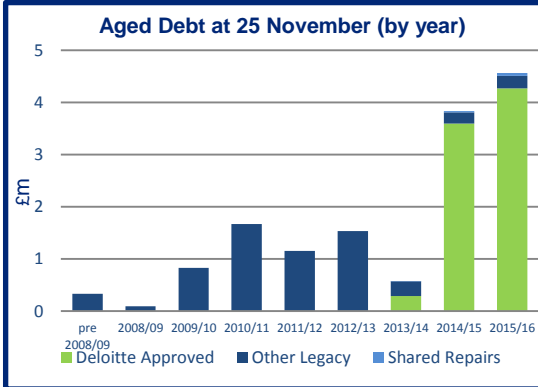
Finance and Debt Recovery Overview

Programme dashboard as at 25 November 2015

PROGRESS

The current level of debt outstanding is £13.6m of which £7.6m is Deloitte (Project Joule) reviewed debt and £6.0m of Legacy and Shared Repairs debt. A total of £9.6m is being pursued through active billing. Debt of £4.1m is either being prepared for legal action or is suspended debt. Since January 2015 suspended debt has reduced by £3.4m to £3.0m as disputes are resolved.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£7.2m	£2.4m	£9.6m
Total debt scheduled for action	£0.4m	£3.6m	£4.0m
Total Debt	£7.6m	£6.0m	£13.6m
Payment plans and inhibitions agreed within debt total	£1.3m	£0.4m	£1.7m

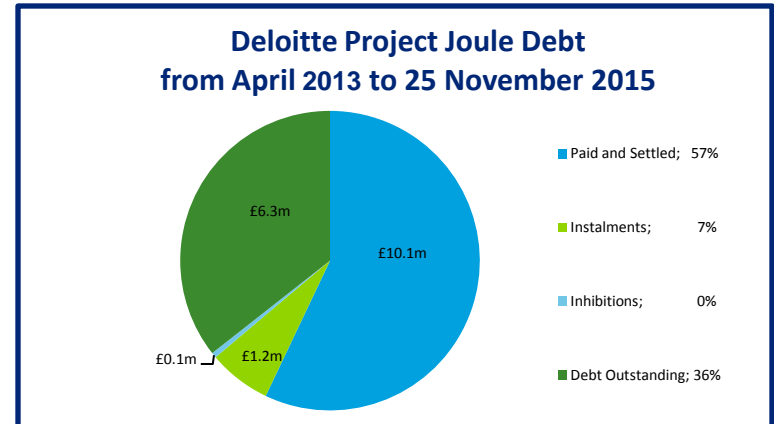
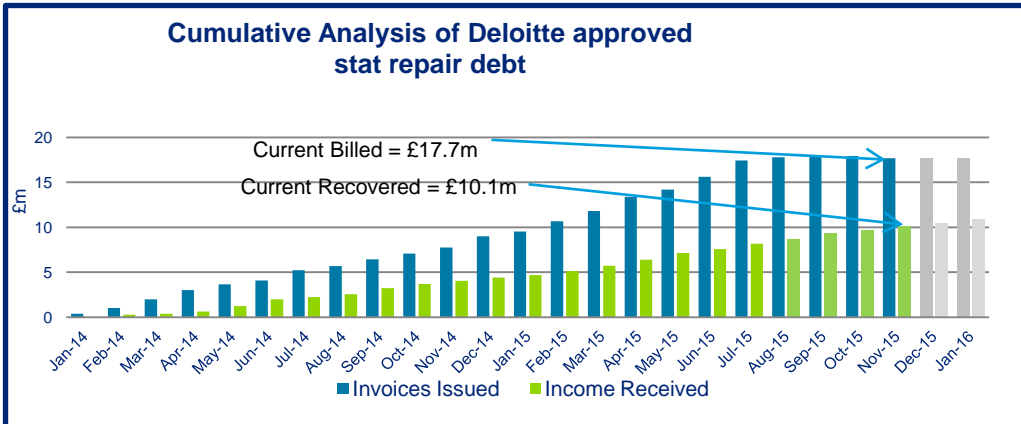


Project Joule Billing and Recovery Progress

Programme dashboard as at 25 November 2015

PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.7m. £10.1m 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 £11.4m. This represents a current collection rate of 64%. The balance of debt of £6.3m is at various stages of recovery.





Morton Fraser Progress

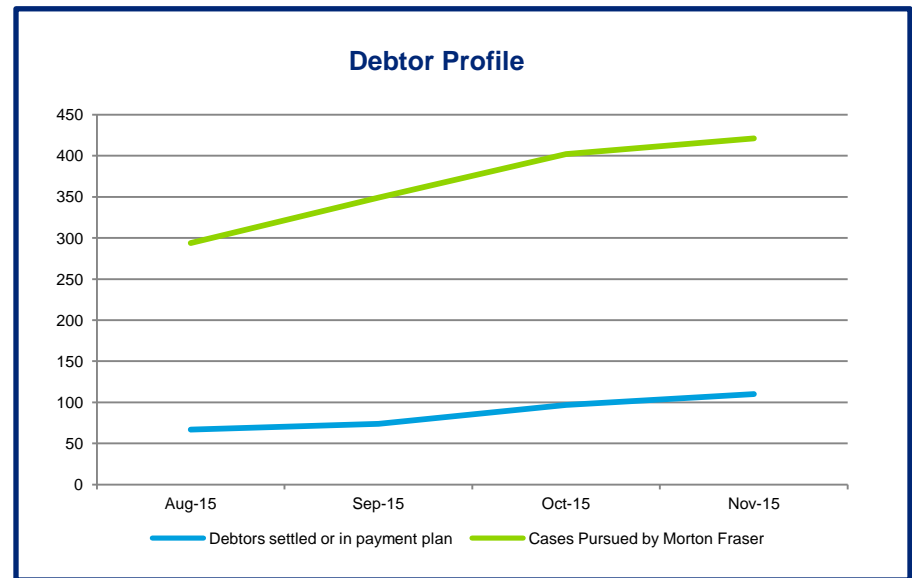
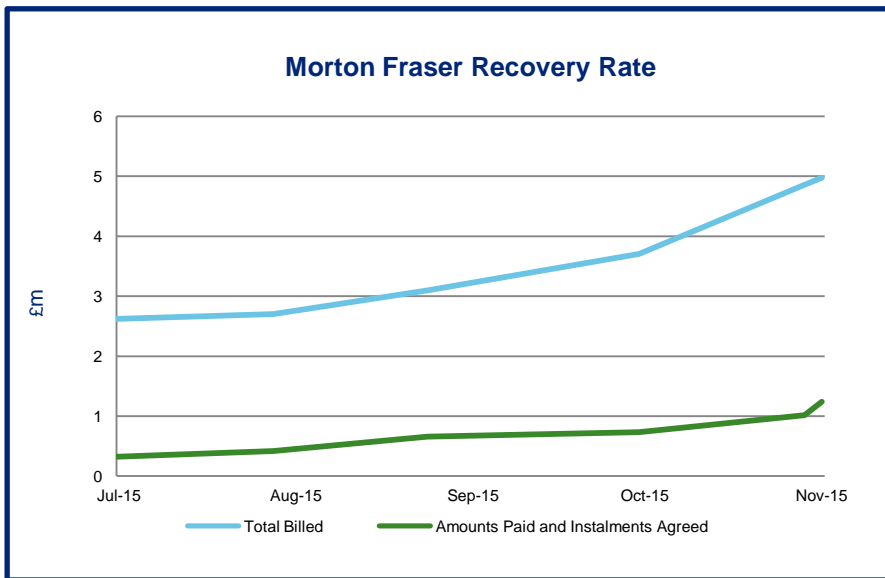
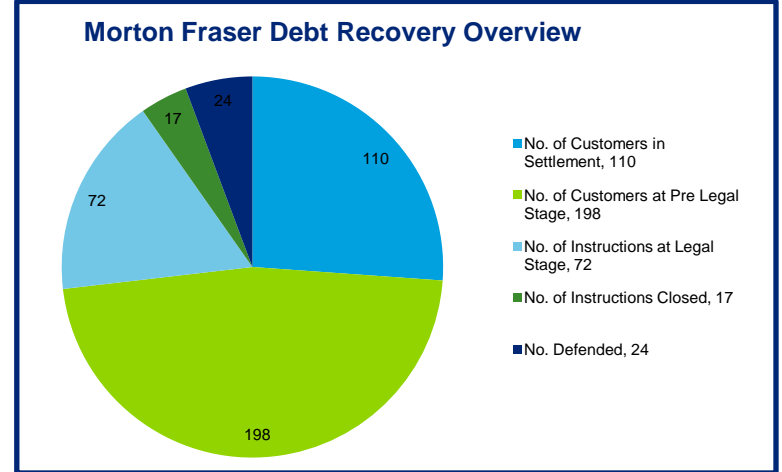
Programme dashboard as at 25 November 2015



PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 421 instructions have been issued to Morton Fraser with a total value of £5.0m for debt collection. Over the 8 month period from April 2015 to date the overall sums settled or in payment plans total £1.1m (22%) over 110 customers (23%). 198 cases are at pre legal stage, 72 at legal stage with 17 cases closed and 24 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	August	September	October	November
Total debt recovery cases pursued by Morton Fraser	294	349	402	421
Total value of instructions issued	£3.1m	£3.7m	£4.9m	£5.0m
Total debtors settled or in payment plan	67	74	97	110
Total sum recovered or in payment plan	£0.7m	£0.7m	£1.0m	£1.1m
Total sum recovered in payment plan as % of debt recovery	21%	19%	20%	22%





ESRS Pilot Phase and Emergency Service Dashboard

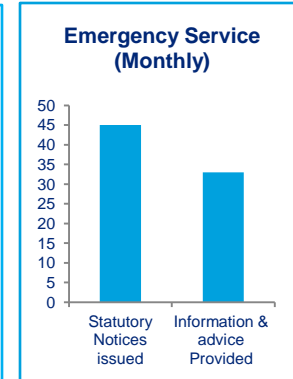
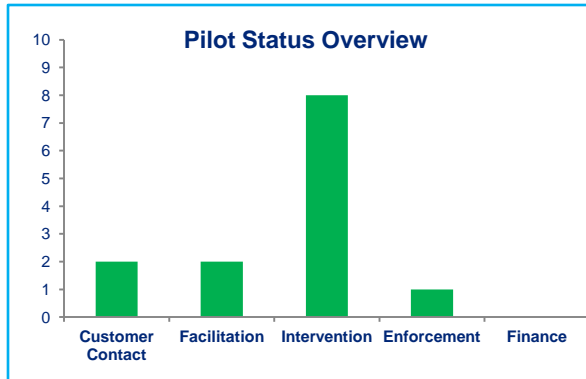
Programme dashboard as at 25 November 2015



OVERVIEW OF PROGRESS

The Pilot Phase started in September 2015. The Pilot Phase currently consists of eleven open cases with successful intervention achieved on two projects. Work is progressing on the Major Works project. This is currently in the Tender Evaluation period.

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



EMERGENCY SERVICE

55% of all emergencies this month related to drainage issues. In addition to the number of emergency drainage responses attended to, the service received seven separate requests to attend to fallen render/masonry in this period however none of the calls required emergency make safe measures carried out. Two requests received from Police Scotland related to dangerous windows, one was not deemed a danger to public and the other was referred to another Council service. A request from a Councillor for service to attend to a dangerous wall was responded to however the wall was privately owned and the property owner had a maintenance officer who dealt with the repair.

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	Sep 15	Oct 15	Nov 15	Trend
No of requests for advice/ info only.	265	170	295	↑
No. of service requests	74	66	78	↑
No of emergency repair inspections resulting in statutory notices issued	49	46	45	↓
No. of Emergency service requests where information/ advice was provided	25	20	33	↑
Value of invoices issued to owners for emergency repairs (cumulative)	£721,588	£743,918	£753,839	↑
Value of income received from owners for emergency repairs (cumulative)	£608,924	£642,469	£658,989	↑
No of visits to SRS webpage (Google Analytics)	3304	3153	4186	↑
Solicitors Enquiries Received		626	711	↑
Solicitors Enquiries Completed		705	800	↑