

Finance and Resources Committee

10.00am, Thursday 17 March 2016

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

Item number
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 (ESRS).

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 Update

Recommendations

- 1.1 The 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 status of the remaining legacy projects;
 - 1.1.4 Approve the extension of delegated authority to the Acting Executive Director of Resources in relation to statutory repairs as set out in the report; and
 - 1.1.5 Note the update on the pilot progress.

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 January 2015.

Main report

Management information

- 3.1 Management Information as at 25 January 2016 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 January 2016, a total of £11.5m has been approved for write-off against the provision comprising irrecoverable sums of £6.9m, aged debt of £0.4m and a total value of £4.2m for settlements to date.
- 3.4 The provision remains subject to regular review by the Head of Edinburgh Shared Repairs and the Acting Executive Director of Resources.

Billing and Recovery Update

- 3.5 Billing on Deloitte reviewed projects is now complete at a total of £17.7m.
- 3.6 To 25 January 2016, £10.8m has been received in payment from individual owners. A further £1.4m has been secured in payment plans and inhibitions. Total recovery rate in debt collected and secured debt is £12.2m (69%).
- 3.7 The balance of debt of £5.5m (31%) is being actively pursued, predominantly through Morton Fraser, and is at various stages of recovery.

Debt Recovery – Morton Fraser

- 3.8 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 593 instructions have been issued to Morton Fraser with a total value of £6m for debt collection.
- 3.9 From April 2015 to 25 January 2016 the overall sums recovered or in payment plans secured by Morton Fraser total £1.4m (23%) over 171 customers (29%).
- 3.10 The costs of Morton Fraser to date in return for the £1.4m recovery is £33,000. As at 25 January 2016, the percentage solicitor's fees against sums recovered is 2.3%. The solicitor's fee to debt recovery ratio is £43 recovered for every £1 spent. These figures will vary from month to month.
- 3.11 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.

Debt Recovery - Suspended Debt

- 3.12 Suspended debt relates to historic Property Conservation projects which have been billed and where a customer or legal representative has raised a dispute leading to the invoice being put on hold.
- 3.13 Between January 2015 and January 2016 the suspended debt has reduced from £6.4m to £2.5m.
- 3.14 Of the remaining £2.5m suspended debt, two projects carry a combined value of debt outstanding at £1.3m (52%). One project has been referred to Deloitte for further case review whilst the other has been referred for legal advice.
- 3.15 Following Deloitte review, settlement credit notes will be raised for £0.4m (16%) against invoices which are currently suspended. The remaining suspended debt balance of £0.8m (32%) relates primarily to old legacy invoices which are at various stages of investigation and recovery.

Delegated Authority

- 3.16 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.
- 3.17 At its meeting on 3 February 2015 Committee agreed to extend the above delegated authority arrangements until 31 December 2015. On 14 January 2016 Committee extended the delegation further to be reviewed on 31 March 2016
- 3.18 In order to continue with the legacy service progress, the resolution of the remaining cases and the review of any potential new complaints relating to the historic property conservation service it is recommended that Committee agrees to extend the existing delegated authority arrangements above until 31 March 2017, to be authorised by the Acting Executive Director of Resources where previously authorised by the Head of Corporate Governance.

Complaint Resolution & Settlements

- 3.19 The settlement process for complainants is complete. Closure in respect of half of all settlement cases has now been reached, with more than 96% of all complainants issued with settlement. Acceptance rates from complainants are at 58%. Settlements have been communicated to 1,647 other affected owners.
- 3.20 The Council are currently appealing a Scottish Public Services Ombudsman (SPSO) finding in relation to the provision of information about project costs. The Council are appealing on two grounds. These are firstly that the decision goes against previous decisions on the same point and secondly that the SPSO finding was incorrect.

Projects – Legacy

- 3.21 Thomson Bethune have completed their contract with the Council. One project has construction related issues which has delayed completion. CEC is working to resolve these issues.
- 3.22 Five Consultant run defect projects handed over to CEC late in 2015 are still to be completed.

New Service Update

Phased Implementation of ESRS

- 3.23 Working towards a soft launch of the new service on 1 April 2016. The customer contact area of the service has adopted a change in script to customers calling for assistance with repairs to their properties.
- 3.24 It is planned to present an outline of the service to neighbourhood offices and stakeholders following the conclusion of the corporate property organisational review. The website information will also be altered detail the service provided by ESRS.

Pilot Progress

Facilitation: 2 cases

- 3.25 This area of the service is used when 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 other Council departments to help progress matters.
- 3.26 There are two cases in facilitation at present.

The Intervention Service: Eight cases

- 3.27 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, tailored communication to owners, site visit and in some cases a stair meeting.
- 3.28 Case officers currently have eight cases with correspondence on-going with the lead owner and all other owners engaging at each of these properties.

Successful Intervention: Two cases

- 3.29 The Pilot service have successfully intervened in an additional case this month. Two cases are now closed on our database. A follow up will be undertaken to check work has been undertaken privately after three months has passed.

The Enforcement Service: Three projects

- 3.30 The Enforcement service is activated when all intervention services have failed to provide a platform for owners to procure the works privately. Upon internal 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.

- 3.31 This month a third project has been approved by the ESRS Panel to progress to the enforcement process.
- 3.32 This new project is a roofing/chimney works/rainwater goods project at the Pleasance. The lead owner (top floor flat) has tried to engage her fellow neighbours for over two years unsuccessfully. ESRS Intervention have tried unsuccessfully to encourage owners to undertake the work privately. Four of twelve owners returned the mandate to say they wish to progress the work themselves but cannot engage the remaining neighbours.

Measures of success

- 4.1 Conclusion of reviewing statutory notice projects.
- 4.2 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 £11.5m has been approved as at 25 January 2016.
- 5.3 The adequacy of the impairment and settlement provision remains under regular review by the Head of Edinburgh Shared Repairs Service and the Acting Executive Director of Resources.
- 5.4 The overall 2015/16 available budget for both 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

January 2016

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

LEGACY PROGRAMME			NEW SERVICE		
A number of legacy workstreams continue to draw to a close with billing now complete, settlements at the final stages and historic projects on site reaching completion. Significant volumes of work remain in customer service and debt recovery.			The phased implementation of the pilot for the new service commenced on 1 September 2015 and will run until the end of March 2017. The Edinburgh Shared Repairs Service will be managed overall within the Corporate Property Service in the new Council structure.		
TOP RISKS	MITIGATION	RAG	TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Morton Fraser are leading on Debt Recovery.	Yellow	1. Project Officer Support	Project Officer Secondment due to end on 31/3/16. There will be no dedicated Project resource putting delivery of the Project at risk. Extension being sought	Yellow
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	Yellow	2. ICT Project Manager Support	ICT Project Manager contract due to end in March 2016. There will be no dedicated ICT Project resource putting delivery of the Project at risk. Extension being sought.	Yellow
3. Settlement Process	Settlement process nearing completion.	Yellow	3. Tender returns at ITT stage	Twelve PQQs were returned. These will be reviewed with ITT to be issued in March 2016.	Yellow
4. Loss of legacy staff through service reviews	Discussion with relevant Directors to ensure service is maintained.	Red	4. People	All staff that are permanent to the Council will be undergoing review. Following review the Business Plan will be implemented.	Red
			5. Staffing Structure not established for New Service	Senior Management Team in place for Phased Implementation of the New Service. Ongoing review of Business Plan.	Yellow
OVERALL STATUS	COMMENTS	RAG	OVERALL STATUS	COMMENTS	RAG
Case Reviews and Settlements	The settlement process is nearing completion . At this time 96% of complainants have been issued with settlement with an acceptance rate of 58%.	Yellow	Governance	The Edinburgh Shared Repairs Service and Legacy Programme will be managed overall within the Corporate Property Service in the new Council structure.	Green
Debt Recovery	Debt outstanding is currently £12.5m. Of this debt £9.1m 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.	Yellow	IT	Database for Pilot Service is up and running and being tested with Pilot Projects. Data cleansing report to be submitted in early 2016. Uniform System IDOX update took place mid January with management training currently ongoing.	Yellow
Projects	From the TB projects handed over to ESRS from 1 January : <ul style="list-style-type: none"> • 2 projects have construction related issues which has delayed completion • 4 project is due to be re-programmed for completion in spring • 25 projects are in the defect period to be signed off by ESRS 	Yellow	Processes	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 January 2016. An internal audit is currently being carried out by PWC.	Yellow
Customer services	There remains a significant volume of customer contact across the legacy service.	Yellow	Procurement	ITT document being prepared. Contractors framework is programmed to be in place by July 2016.	Green
			Unable to recruit suitable technical resource	Recruitment process underway for Building Surveyors. Recruitment of suitable technical resource will continue to be reviewed.	Yellow
KEY PLANNED ACTIVITIES			INFORMATION / DECISIONS		
Completion of settlement process. Continuation of legacy projects. Interviews for Records Manager on 5 February 2016			Continuation of debt recovery programme. Continuation of ESRS pilot activity. Management of closure programme timelines		
			Service review to be undertaken 2016/17 closure programme staffing to be determined		



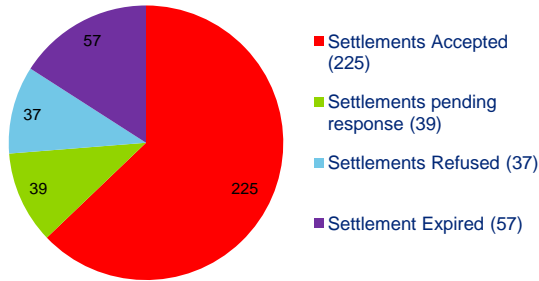
Settlements & Customer Service

Programme dashboard as at 25 January 2015

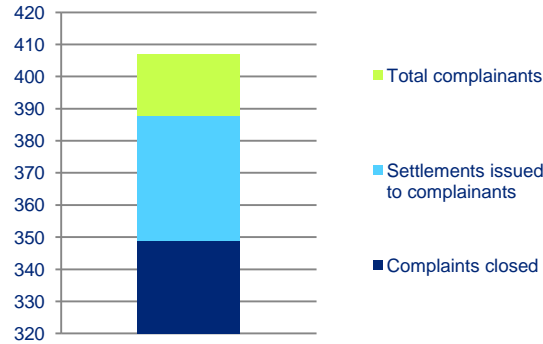
PROGRESS

Two remaining cases are going through final checking. More than 96% of all complainants have been issued with settlement. Settlements to other affected owners are progressing with letters sent to 1,647 owners. The remaining letters will be issued by the end of February 2016.

Complainant Closure Status



Settlements Issued to Complainants



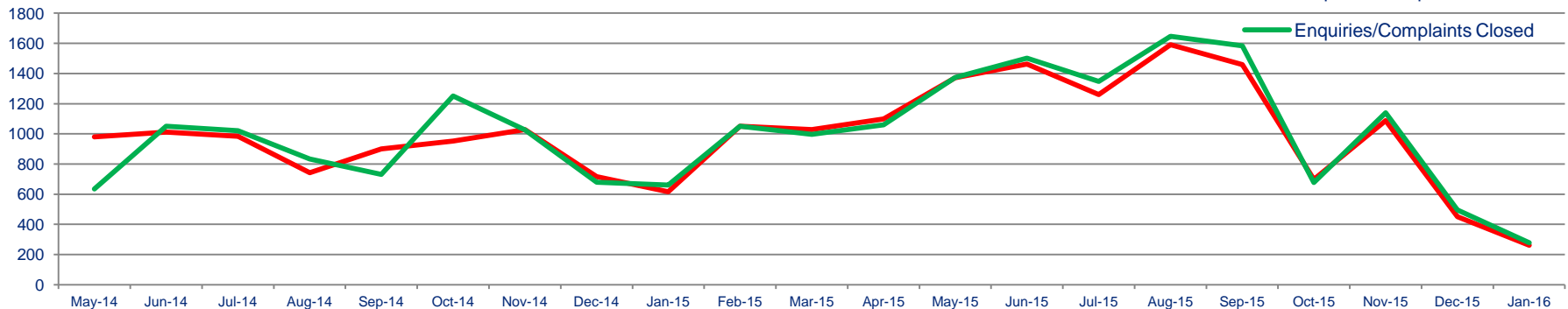
Settlement Value

Total Value of projects reviewed	£12.9m
Total settlements approved under delegated authority	£4.2m
Settlements paid/credited to date	£3.3m

PROGRESS

Customer Services has seen a continued dip in January on overall customer enquiries, complaints and FOI requests. Response rate for enquiries / complaints achieving 97% closed on time.

Property Conservation Enquiries complaints Raised / Closed





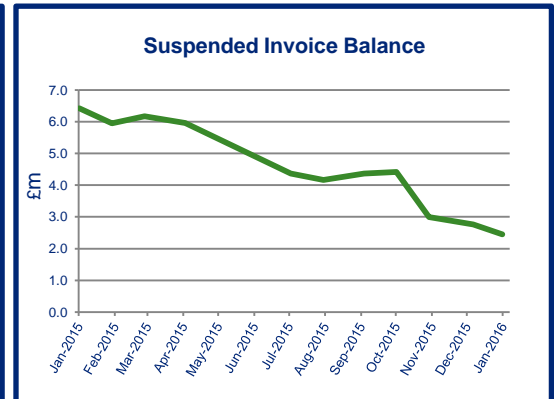
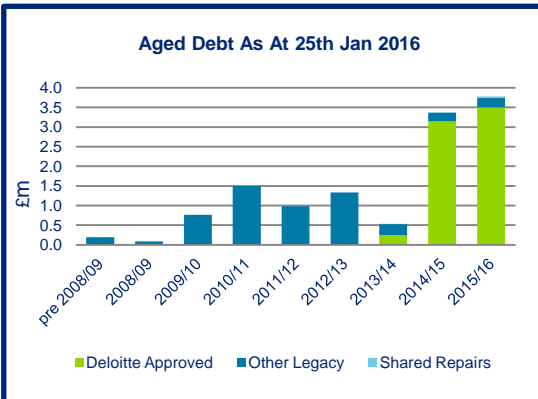
Finance and Debt Recovery Overview

Programme dashboard as at 25 January 2016

PROGRESS

The current level of debt outstanding is £12.5m of which £6.9m is Deloitte (Project Joule) reviewed debt and £5.6m of Legacy and Shared Repairs debt. A total of £9.1m is being pursued through active billing. Debt of £3.4m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £2.5m as disputes are resolved and settlements processed.

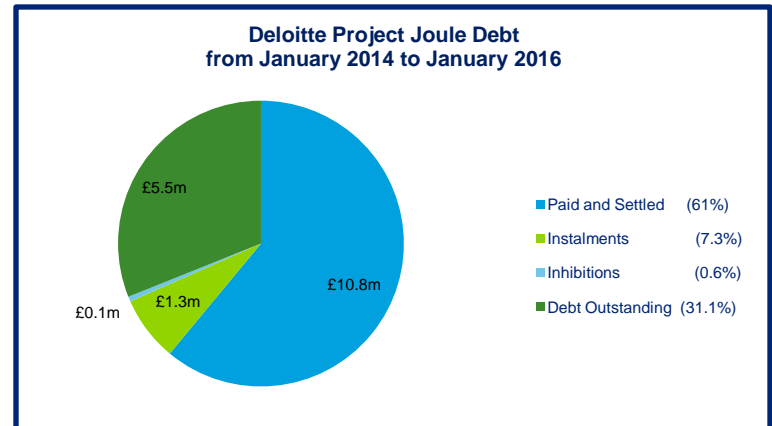
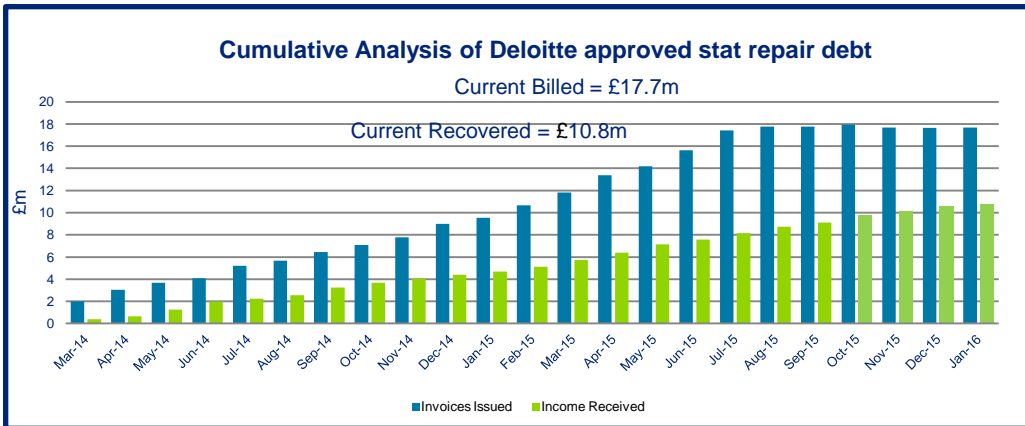
Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£6.7m	£2.4m	£9.1m
Total debt scheduled for action	£0.2m	£3.2m	£3.4m
Total Debt	£6.9m	£5.6m	£12.5m
Payment plans and inhibitions agreed within debt total	£1.4m	£0.4m	£1.8m



Project Joule Billing and Recovery Progress

PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.7m. £10.8m has been received in settlement and a further £1.4m of secured debt in payment plans and inhibitions giving a total of settled and secured debt of £12.2m. This represents a current collection rate of 69%. The balance of debt of £5.5m is at various stages of recovery.





Morton Fraser Progress

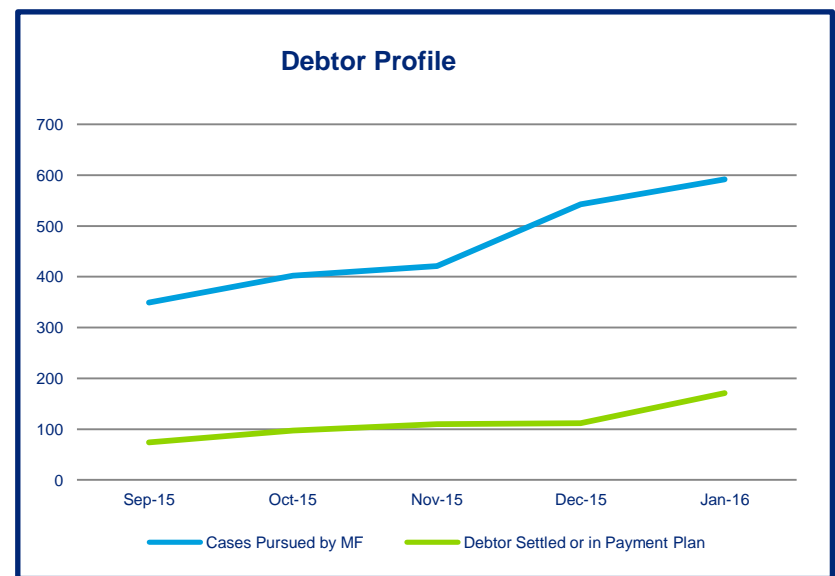
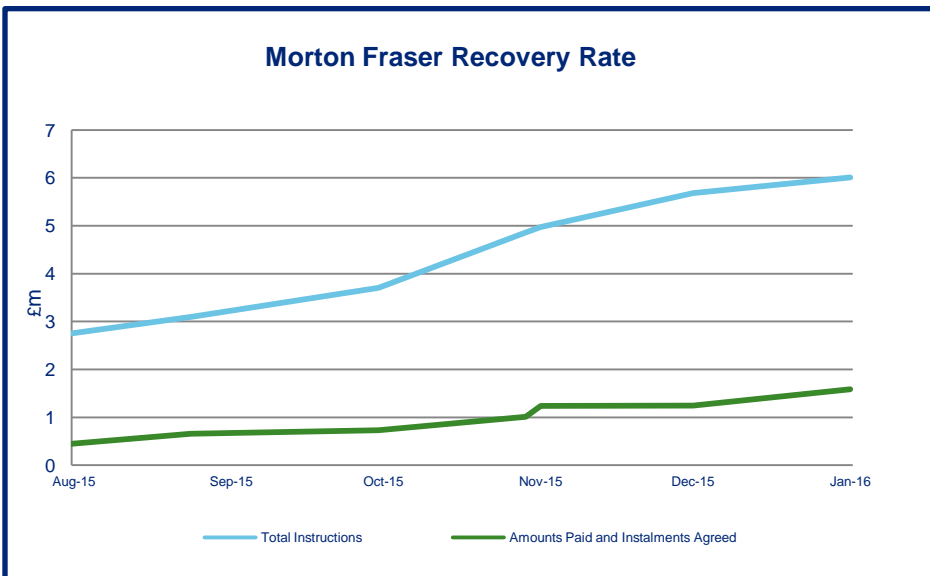
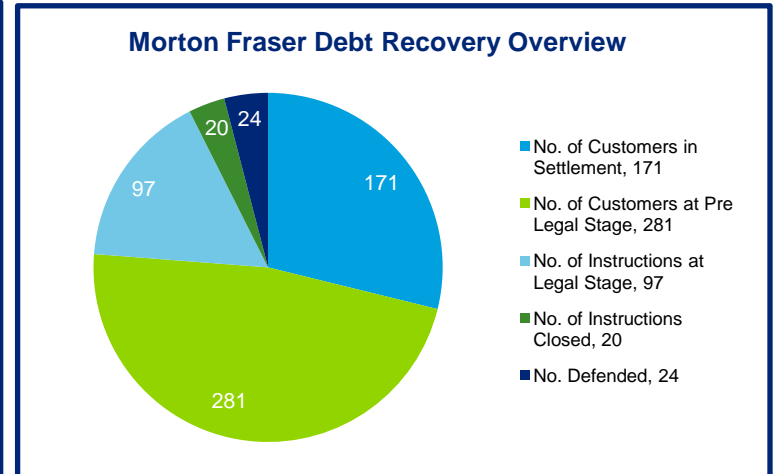
Programme dashboard as at 25 January 2016



PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 593 instructions have been issued to Morton Fraser with a total value of £6m for debt collection. Over the 10 month period from April 2015 to date the overall sums settled or in payment plans total £1.4m over 171 customers, 281 cases are at pre legal stage, 97 at legal stage with 20 cases closed and 24 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	October	November	December	January
Total debt recovery cases pursued by Morton Fraser	402	421	543	593
Total value of instructions issued	£4.9m	£5.0m	£5.7m	£6.0m
Total debtors settled or in payment plan	97	110	112	171
Total sum recovered or in payment plan	£1.0m	£1.1m	£1.1m	£1.4m
Total sum recovered in payment plan as % of debt recovery	20%	22%	22%	23%





Provision for Impairment and Settlements

Programme dashboard as at 25 January 2016

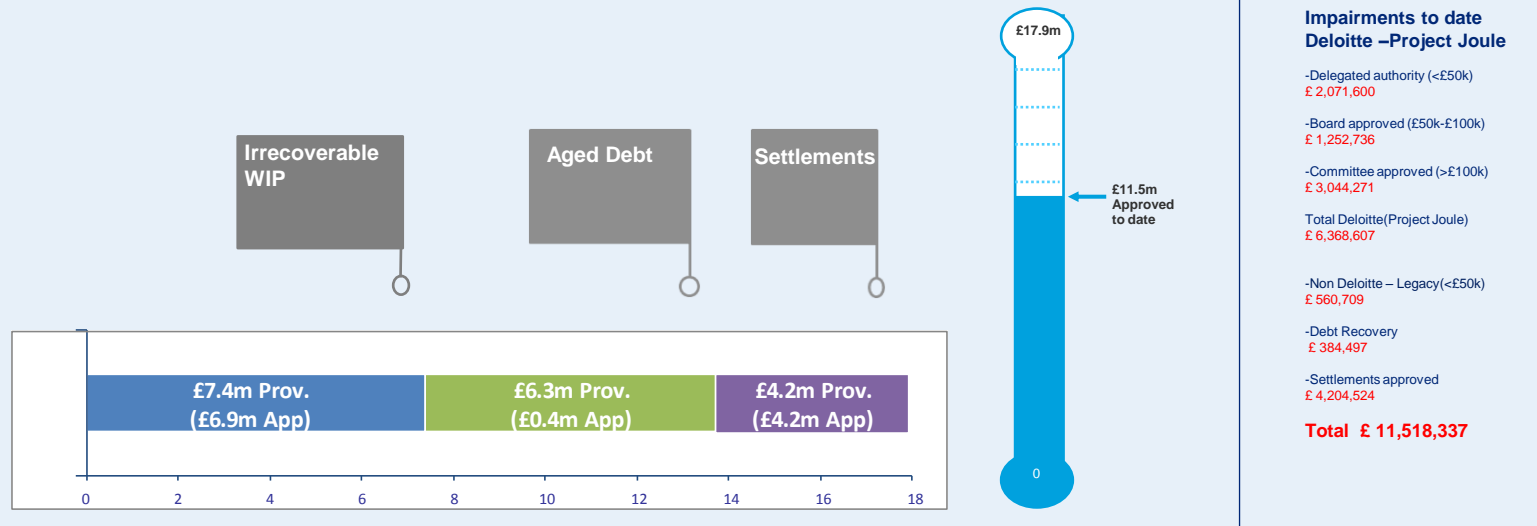


PROGRESS

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

- **Irrecoverable WIP (£7.4m)** – This is based on the actual final sum of £6.4m for the Deloitte (Project Joule) Review outcomes on Irrecoverable Work-In Progress. In addition £1.0m has been made, based on Irrecoverable WIP for Non-Deloitte old legacy work for remedial projects, old unbilled Emergency Work and door closed entry systems.
- **Aged Debt (£6.3m)** –An overall collection rate of 53% is required to ensure adequacy of provision. Current recovery rate is 61%.
- **Settlements (£4.2m)** –Work on settlements is nearing completion with an expected write off sum of £4.2m.

Provision for Impairment and Settlements





ESRS Pilot Phase and Emergency Service Dashboard

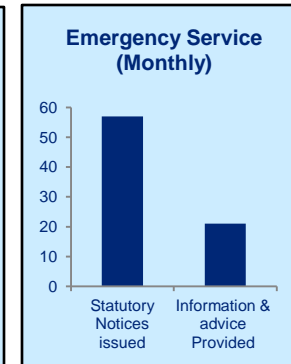
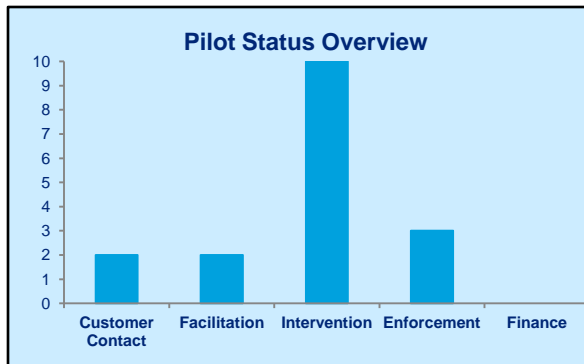
Programme dashboard as at 25 January 2015



OVERVIEW OF PROGRESS

The phased implementation of the new service started in September 2015. The Pilot Phase currently consists of fifteen open cases with successful intervention achieved on two projects. Work is progressing on the Major Works project and this has now been awarded to the successful contractor. This month one additional project has been approved by the ESRS Panel to progress to the enforcement process.

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	2
	• Communication 1 issued	4
	• Communication 2 issued	2
	• Panel Report pending	
	• Closed with successful intervention	2
Enforcement:	• Site Survey / S24 Notice / S26 Notice	2
	• Procurement	1
	• Projects on site	
Finance:	• Final Account issued	
	• Invoices issued to owners	



EMERGENCY SERVICE

Although the number of requests for advice and information the Service has received this period has risen by 10%, the actual numbers asking us to attend to emergency issues has reduced by 23% compared to the previous month. The service responded to 12 incidents relating to falling masonry, roof issues, a dangerous window and dangerous aerial. Two of the incidents were reported by Police Scotland and related to a vehicle crashing into a wall and a render fall.

PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement)	1		£364k
2. Minor Chimney and Stonework repairs		1	Under £20k
TOTAL	1	1	£384K

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	Nov 15	Dec 15	Jan 16	Trend
No of requests for advice/ info only.	295	239	264	↑
No. of service requests	78	101	78	↓
No of emergency repair inspections resulting in statutory notices issued	45	66	57	↓
No. of Emergency service requests where information/ advice was provided	33	35	21	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£753,839	£763,450	£778,848	↑
Value of income received from owners for emergency repairs (cumulative)	£658,989	£678,106	£685,778	↑
No of visits to SRS webpage (Google Analytics)	4186	4071	4153	↑
Solicitors Enquiries Received	711	459	392	↓
Solicitors Enquiries Completed	800	459	289	↓