

Finance and Resources Committee

10.00am, Thursday 12 May 2016

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

Item number	7.11
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

Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service 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 update on the pilot progress and phased implementation of the Edinburgh Shared Repairs Service (ESRS).

Background

- 2.1 Programme Momentum has been established as a robust end-to-end process across all workstreams relating to the legacy Statutory Notice issues, including the development of the blueprint for the new enforcement service.
- 2.2 This report gives details of progress to the end of March 2016.

Main report

Management information

- 3.1 Management Information as at 25 March 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 March 2016 a total of £11.6m has been approved for write-off against the provision comprising irrecoverable sums of £6.9m, aged debt of £0.5m 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 £17.8m.

- 3.6 To 25 March 2016, £11.4m has been received in payment from individual owners. A further £1.3m has been secured in payment plans and inhibitions. Total recovery rate in debt collected and secured debt is £12.7m (71%).
- 3.7 The balance of debt of £5.1m (29%) 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, 651 instructions have been issued to Morton Fraser with a total value of £6.7m for debt collection.
- 3.9 From April 2015 to 25 March 2016 the overall sums recovered or in payment plans secured by Morton Fraser total £1.9m (28%) over 231 customers (35%).
- 3.10 The costs of Morton Fraser to date in return for the £1.9m recovery is £50,000. As at 25 March 2016 the percentage solicitor's fees against sums recovered is 2.7%. The solicitor's fee to debt recovery ratio is £38 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.
- 3.12 All Project Joule Statutory Notice debt related instructions are now with Morton Fraser to progress recovery action.

Debt Recovery - Suspended Debt

- 3.13 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.
- 3.14 Between January 2015 and March 2016 the suspended debt has reduced from £6.4m to £1.5m.
- 3.15 Of the remaining £1.5m suspended debt, 2 projects carry a combined value of £0.8 debt outstanding (53%). The settlement of both projects is currently being actively progressed.
- 3.16 Following Deloitte review, settlement credit notes will be raised for £0.3m against invoices which are currently suspended. The remaining suspended debt balance of £0.4m relates primarily to old legacy invoices which are at various stages of investigation and recovery.

Complaints Resolution and Settlements

- 3.17 All 407 customers who raised specific concerns relating to 155 Statutory Notice projects and had their cases reviewed by Deloitte have been issued with settlement letters. 1,731 additional owners were identified as being affected by the 155 projects. All of these owners have also been issued with settlement letters which brings this part of the settlement process to an end.

Projects – Legacy

- 3.18 The Thomson Bethune contract completed in December 2015. The remaining projects have been handed over to ESRS for completion. The schedule for this is as follows:-
- 3 projects are due to be re-programmed for completion in Spring There are 25 projects still in the defect period to be signed off by ESRS.
 - 1 project currently requires intervention, where leaks are still present after defects works has been completed.
- 3.19 1 consultant run defect project handed over to CEC late in 2015 has still to be completed.

New Service Update

Phased Implementation of ESRS

- 3.20 A phased launch of the new service is taking place from 1 April 2016. The customer contact area of the service has already adopted a change in script to customers calling for assistance with repairs to their properties.
- 3.21 We plan to revisit the website information provided online for the Shared Repairs Service. We have developed a series of slides which will be circulated to stakeholders at the beginning of April.

Pilot Progress

Customer Contact: 2 new cases

- 3.22 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.
- 3.23 At present the customer contact team inform customers that the service can provide advice and guidance for customers trying to organise a repair privately. If the customer is having difficulty then we may consider including the case in the phased implementation of the ESRS service.
- 3.24 Customer contact staff are currently offering advice and guidance on one additional potential case from last month, making two in total.

Facilitation: 3 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 three cases in facilitation at present. One involves a very significant boundary wall between a railway line and residential estate. The Council are facilitating an agreed approach to the issue involving owners, factors and Network Rail. Another case involves a mural on the gable end of a tenement and the service is working closely with Culture & Sport on this matter.

The Intervention Service: 8 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 other owners engaging at each of these properties.
- 3.29 The case officers are currently finding that not all owners are willing to engage within our process and as a result we intend to review the mandate forms and processes to encourage more engagement from owners.

Successful Intervention: 3 cases

- 3.30 The phased Implementation service has successfully intervened in an additional case this month. A follow up will be undertaken to check work has been undertaken privately after three months has passed.

Panel Cases Rejected for enforcement: 1 case

- 3.31 The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to progress the works.

The Enforcement Service: 3 projects

- 3.32 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.
- 3.33 Three projects have been approved by the ESRS Panel to progress to the enforcement process. Two are at survey stage and one is on site.
- 3.34 The major project at Gorgie Road has commenced. The scheduling of ordering of stonework is on-going. The stonework condition at the property is very poor and as such we have arranged a site visit for all the owners to come up the scaffold to view it for themselves. A photographic report will be sent to all owners

following this. The roofworks have also commenced with the replacement of the Cupola and flat roof.

- 3.35 We have successfully engaged with all flat owners now and carried out the dilapidations and fireplace survey's required in all flats.

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 budgeted 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 £11.6m has been approved as at 25 March 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 Edinburgh Shared Repairs Service is £3.8m. The current year forecast expenditure, subject to final account, is £3.2m.
- 5.5 A budget of £1.6m has been set for the ESRS for 2016/17.

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

March 2016

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

LEGACY PROGRAMME			NEW SERVICE		
A number of legacy workstreams continue to draw to a close with the billing and the settlements processes now complete 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. We are engaging with stakeholders in preparation for the Soft Launch of the New Service after the 1 st April 2016.		
TOP RISKS	MITIGATION	RAG	TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Morton Fraser are leading on Debt Recovery.	Yellow	1. No. of Phased Implementation Cases	Communications to be increased with customers to identify additional cases for Implementation Phase, linked to soft-launch after 1st April. Business plan identifies £3.5m workload of enforcement cases in 16/17 which is unlikely to be achieved. Review this figure six months after launch.	Yellow
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	Yellow	2. Tender returns at ITT stage	Twelve PQQs were returned. These will be reviewed with ITT to be issued in April 2016.	Yellow
3. Settlement Process	Settlement process completed.	Green	3. People	All staff that are permanent to the Council will be undergoing review. Following review the Business Plan will be implemented.	Yellow
4. Loss of legacy staff through service reviews	Discussion with relevant Directors to ensure service is maintained.	Yellow	4. 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
			5. 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. Three Month Extension now confirmed until 30 th June 2016.	Green
OVERALL STATUS	COMMENTS	RAG	OVERALL STATUS	COMMENTS	RAG
Case Reviews and Settlements	The settlement process is complete. At this time 100% of complainants have been issued with settlement with an acceptance rate of 58%.	Green	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 £10.9m. Of this debt £8.3m 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.	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"> • 1 project has construction related issues which has delayed completion • 3 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, procedures will be updated internally and reissued by the end of June 2016. An internal audit is currently being carried out by PWC.	Yellow
Customer services	There remains a high 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
			People	13 Applications were received for the Building Surveyor post following advertisement on My Job Scotland. Two suitable candidates identified. Recruitment of suitable technical resource will continue to be reviewed.	Yellow
KEY PLANNED ACTIVITIES			INFORMATION / DECISIONS		
Continuation of debt recovery programme. Continuation of legacy projects. Records Manger commencing 4 April 2016 Management of closure programme timelines			Continuation of ESRS pilot activity. underway Recruitment of a surveyor in for ESRS		
			Service review to be undertaken 2016/17 closure programme staffing under continual review		



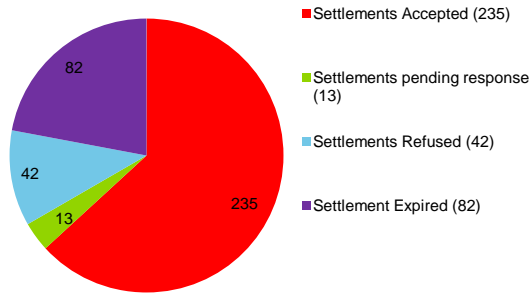
Settlements & Customer Service

Programme dashboard as at 25 March 2016

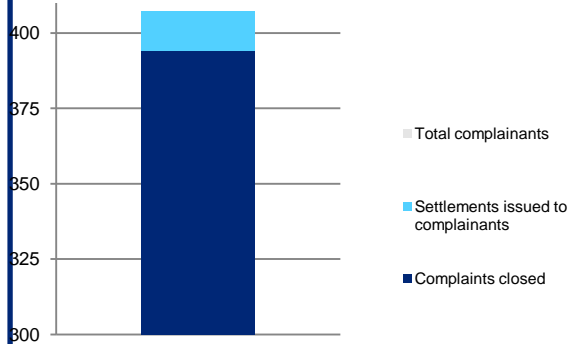
PROGRESS

The settlement process for complainants has now been completed. Closure in respect of half of all settlement cases has now been reached, with 100% of all complainants issued with settlement. Acceptance rates from complainants are at 58%. Settlements to other affected owners have also been reached with 1,731 owners communicated, so settlements to all other affected owners is also now completed.

Complainant Closure Status



Settlements Issued to Complainants



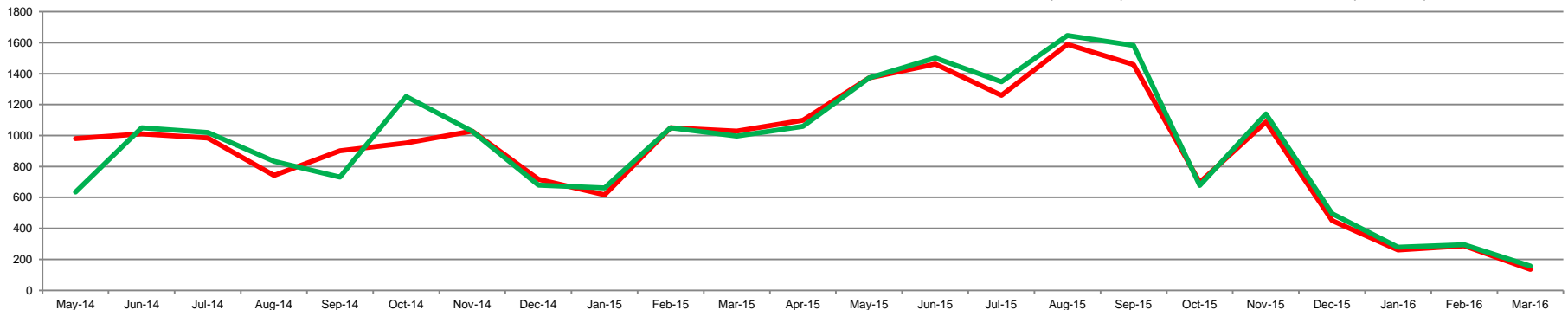
Settlement Value

Total Value of projects reviewed	£12.9m
Total settlements approved under delegated authority	£4.2m
Settlements paid/credited to date	£4.1m

PROGRESS

Customer Services has seen a continued dip in March on overall customer enquiries, complaints and FOI requests. Response rate for enquiries / complaints achieving 87% closed on time.

Property Conservation Enquiries complaints Raised / Closed





Finance and Debt Recovery Overview

Programme dashboard as at 25 March 2016

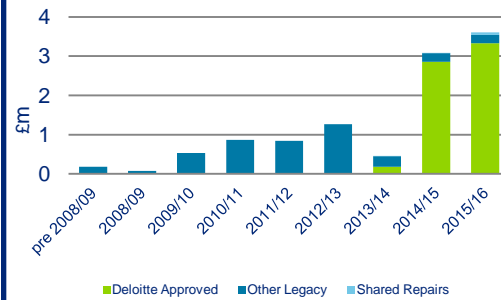


PROGRESS

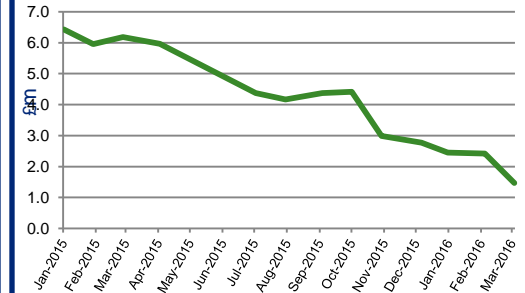
The current level of debt outstanding is £10.9m of which £6.4m is Deloitte (Project Joule) reviewed debt and £4.5m of Legacy and Shared Repairs debt. A total of £8.3m is being pursued through active billing. Debt of £2.6m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £1.5m as disputes are resolved and settlements processed.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£6.3m	£2.0m	£8.3m
Total debt scheduled for action	£0.1m	£2.5m	£2.6m
Total Debt	£6.4m	£4.5m	£10.9m
Payment plans and inhibitions agreed within debt total	£1.3m	£0.4m	£1.7m

Aged Debt As At 25 March 2016 By Year



Suspended Invoice Balance Outstanding As At 25th March 2016

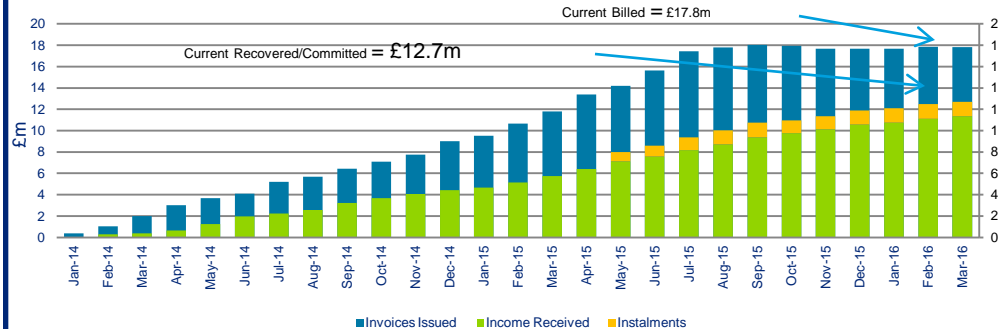


Project Joule Billing and Recovery Progress

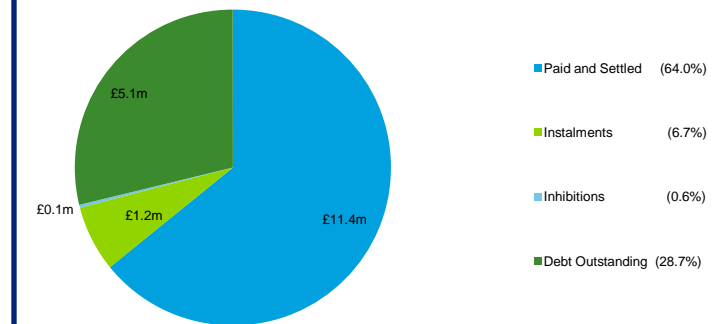
PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.8m. £11.4m 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 £12.7m. This represents a current collection rate of 71%. The balance of debt of £5.1m is at various stages of recovery.

Cumulative Analysis of Deloitte approved stat repair debt



Deloitte Project Joule Debt from January 2014 to March 2016

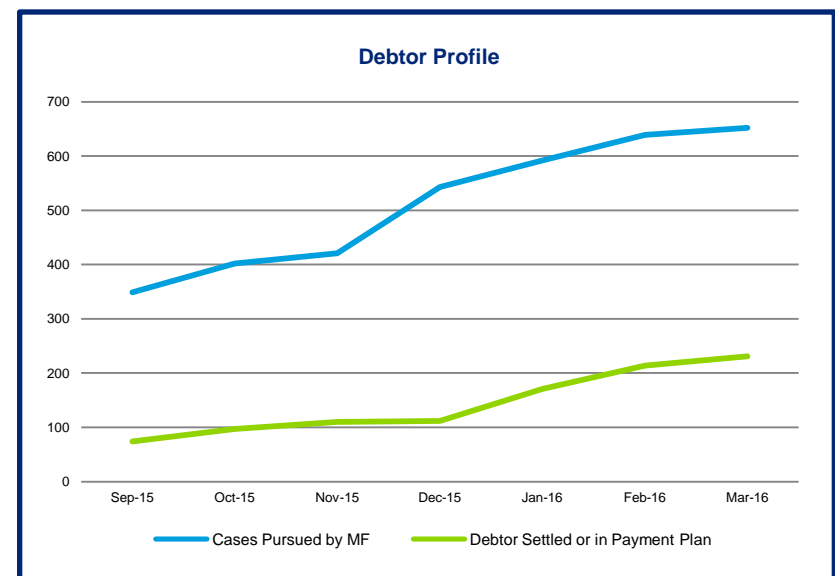
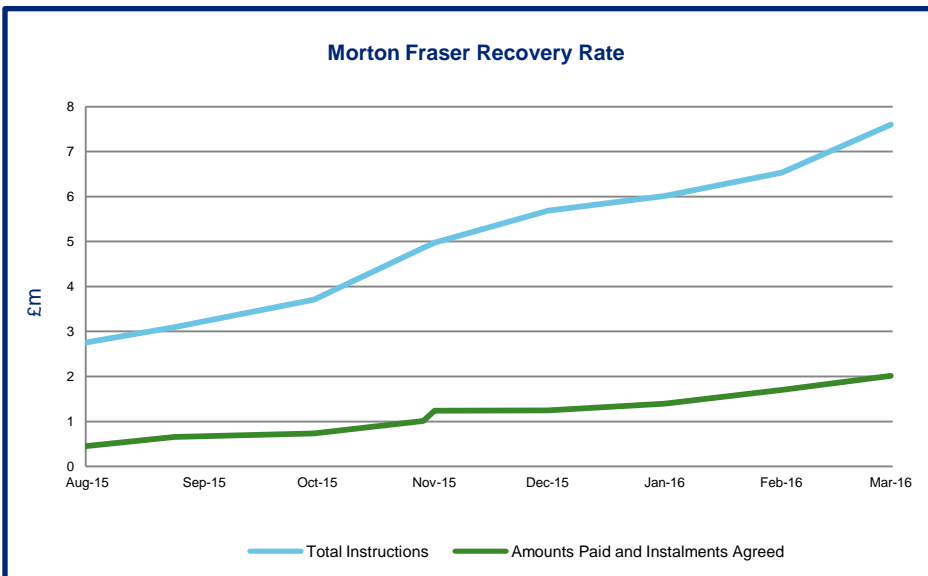
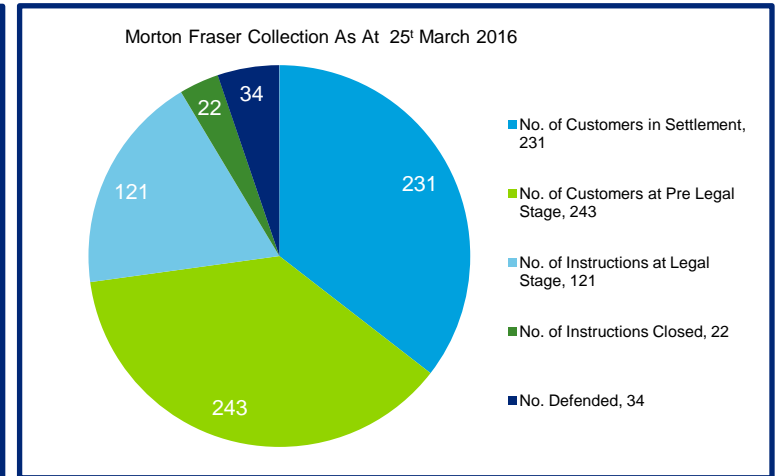




PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 651 instructions have been issued to Morton Fraser with a total value of £6.7m for debt collection. From April 2015 to date the overall sums settled or in payment plans total £1.9m over 231 customers, 246 cases are at pre legal stage, 121 at legal stage with 22 cases closed and 34 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	December	January	February	March
Total debt recovery cases pursued by Morton Fraser	543	592	639	651
Total value of instructions issued	£5.7m	£6.0m	£6.5m	£6.7m
Total debtors settled or in payment plan	112	171	214	231
Total sum recovered or in payment plan	£1.1m	£1.4m	£1.7m	£1.9m
Total sum recovered in payment plan as % of debt recovery	22%	23%	26%	28%





Provision for Impairment and Settlements

Programme dashboard as at 25 March 2016

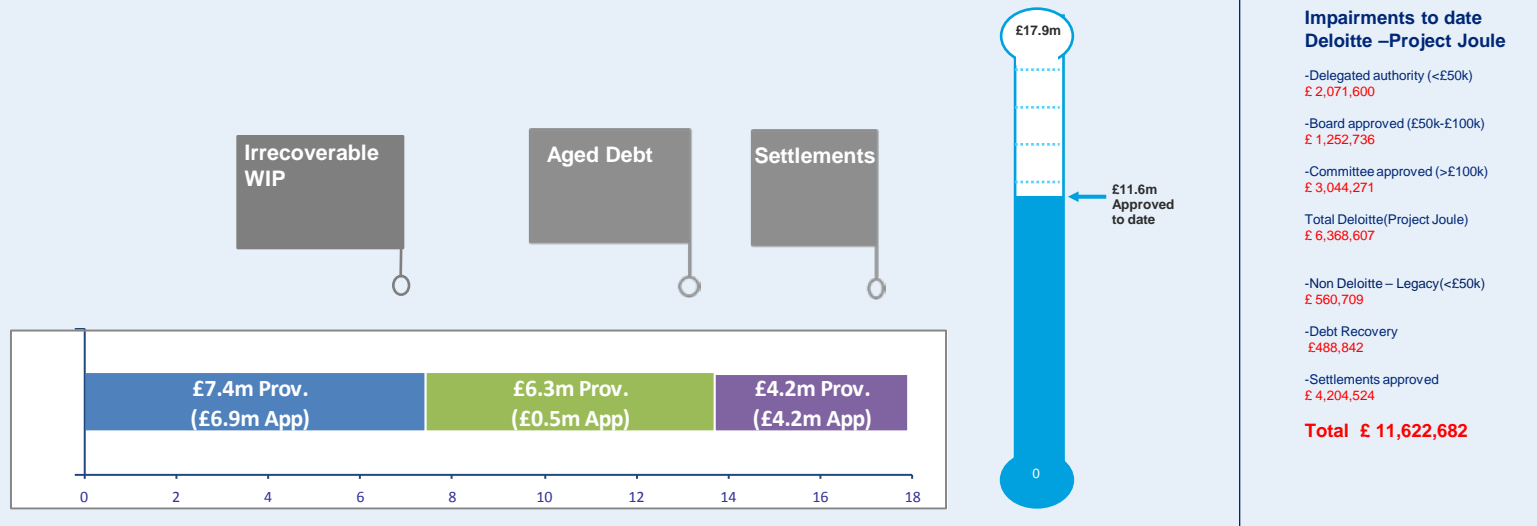


PROGRESS

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 47% is required to ensure adequacy of provision. Current recovery rate is 64%.
- **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

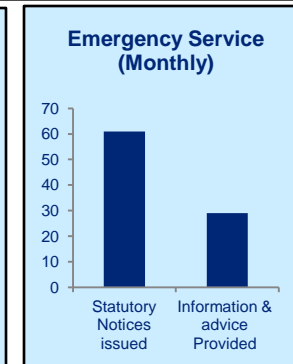
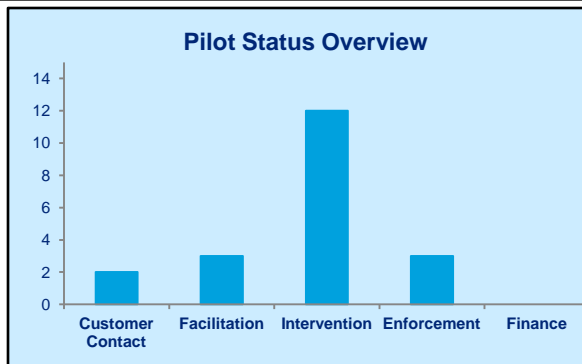
Programme dashboard as at 25 March 2016



OVERVIEW OF PROGRESS

The phased implementation of the new service started in September 2015. The Pilot Phase currently consists of sixteen open cases with successful intervention achieved on three projects. The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to accept. We are working towards a soft launch of the new service on 1 April 2016. The customer contact area of the service has already adopted a change in script to customers calling for assistance with repairs to their properties.

CASE WORKLOAD PROGRESS		NO.
Customer Contact:	• Customer Services Enquiry	2
	• Collating Information from Lead Owner	
Facilitation:	• Advice and Information	
	• Council Correspondence	3
Intervention:	• Case Officer	
	• Communication 1 issued	3
	• Communication 2 issued	5
	• Panel Report pending	
	• Panel Cases Rejected for Enforcement	1
	• Closed with successful intervention	3
Enforcement:	• Site Survey / S24 Notice / S26 Notice	2
	• Procurement	
	• Projects on site	1
Finance:	• Final Account issued	
	• Invoices issued to owners	



EMERGENCY SERVICE

ESRS Property Officers have responded to 90 requests for service in this period. The majority of requests were drainage and sewage issues however 17 of the requests were related to building roof defects with reports of loose slates, chimney pots and loose lead made safe. The number of requests this month is consistent with the same period received last year.

PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement)	1		£364k (CEC)
2. Roof Works		1	Under £30k (Owner Quote)
3. Roof Works		1	Under £40k (Owner Quote)
TOTAL	1	2	£434K

FACILITATION WORKLOAD (TYPE OF PROJECT)	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof	1		£1m
2. Railway Wall	1		£1m
3. Mural		1	< £100k
TOTAL	2	-	£2.1m

EMERGENCY SERVICE	Jan 16	Feb 16	Mar 16	Trend
No of requests for advice/ info only.	264	451	265	↓
No. of service requests	78	104	90	↓
No of emergency repair inspections resulting in statutory notices issued	57	64	61	↓
No. of Emergency service requests where information/ advice was provided	21	40	29	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£778,848	£800,732	£847,259	↑
Value of income received from owners for emergency repairs (cumulative)	£685,778	£707,736	£732,192	↑
No of visits to SRS webpage (Google Analytics)	4153	5322	3920	↓
Solicitors Enquiries Received	392	653	648	↓
Solicitors Enquiries Completed	289	653	558	↓