

Finance and Resources Committee

2.00pm, Thursday 18 August 2016

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

Item number 7.23
Report number
Executive/routine
Wards

Executive summary

This report provides the Programme Board 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 That Committee:
 - 1.1.1 Notes the management information dashboard reports in Appendix 1;
 - 1.1.2 Notes the progress of debt recovery work;
 - 1.1.3 Notes the progress of the settlement process; and
 - 1.1.4 Notes the update on the Implementation of 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 provides details of progress to the end of June 2016.

Main report

Management information

- 3.1 Management Information, as at 25 June 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 June 2016, a total of £13.9m has been approved for write-off against the provision comprising irrecoverable sums of £7.3m, aged debt of £2.4m and a total value of £4.2m for settlements to date.
- 3.4 The provision remains subject to regular review by the Edinburgh Shared Repairs Senior Manager and the Acting Executive Director of Resources. Based on the existing information the balance of £4m on the provision remains adequate.

Billing and Recovery Update

- 3.5 Billing on the Deloitte reviewed projects is complete at a total of £17.6m.

- 3.6 To 25 June 2016, £11.9m has been received in payment from individual owners. A further £1.2m has been secured in payment plans and inhibitions. Total recovery rate in debt collected and secured debt is £13.1m (74%).
- 3.7 The balance of debt of £4.5m (26%) 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, 669 instructions have been issued to Morton Fraser with a total value of £6.9m for debt collection.
- 3.9 From April 2015 to 25 June 2016, the overall sums recovered or in payment plans secured by Morton Fraser total £2.6m (37%) over 315 customers (47%).
- 3.10 The costs of Morton Fraser to date in return for the £2.6m recovery is £130k. As at 25 June 2016, the percentage solicitor's fees against sums recovered is 5%. The solicitor's fee to debt recovery ratio is £20 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 have raised a dispute leading to the invoice being put on hold.
- 3.14 Between January 2015 and June 2016, the suspended debt has reduced from £6.4m to £0.3m.
- 3.15 The remaining suspended debt of £0.3m relates primarily to old legacy invoices. The sum includes debt to a value of £0.2m that is subject to ongoing investigation and a value of £0.1m defined as prescribed debt being greater than 5 years old. The prescribed debt under suspension relates to 19 debtors. Each prescribed debt is being separately investigated regarding recovery action.

Complaint Resolution & Settlements

- 3.16 All 407 customers who raised specific concerns relating to 155 Statutory Notice projects, had their cases reviewed by Deloitte and 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. The work remaining in this area relates to back end administrative activity.

Complaints and Enquiries

- 3.17 The legacy service has continued to see a downward trend in the volume of complaints and enquiries as detail in Appendix 1.

Unimplemented Statutory Notices Cancellation

- 3.18 The Finance and Resources Committee, at its meeting on 9 June 2016, approved the lifting of historic unimplemented Statutory Notices.
- 3.19 As planned the first batch, 126 letters were sent to the registered owners of properties on 20 June 2016. 2 enquiries have been received by the service in respect of these. These 126 notices will be cancelled and removed from the systems on 4 July 2016.
- 3.20 The second batch of 500 letters have been sent out on Monday 4 July 2016. The service will continue to monitor the calls received and alter the project plan as necessary. At this stage, the programme for this work seeks to have all unimplemented statutory notices lifted by the end of August 2016.

New Service Update

Implementation of ESRS

- 3.21 The service is moving into a phased implementation for the financial year 2016-17.

Implementation Progress

Advice and information

- 3.22 This area of the service is where customers initially make contact to request advice and information. The service will offer advice on how the customer can progress repairs through the process outlined in the Tenement (Scotland) Act 2004 using the Tenement Management Scheme (TMS). The case officer will then offer to send the customer an Owners Evidence pack. This pack contains detailed information on the process, which is available to owners, and also contains useful templates for letters, meeting minutes and voting forms. In June, 18 packs have been requested by customers.

Customer Contact: 4 cases

- 3.23 This area of the service is where a customer will contact the service to request assistance. 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 reported defect does appear to be within scope, the team will then ask the customer to evidence what efforts have been made by the property owner/s to engage with their fellow neighbours. This evidence is requested to be sent to the service for further review and may contain the documents required by the Tenement (Scotland) Act 2004 before the case is passed to the Intervention part of the service.
- 3.24 Customer contact officers are currently reviewing four cases.

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.

The Intervention Service: 2 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.

Case officers currently have two cases where negotiations are on-going with the lead owner and other owners.

Successful Intervention: 8 cases

- 3.28 The phased Implementation service has successfully intervened in eight cases in total. A follow up will be undertaken to check if work has been undertaken privately after three months has passed.
- 3.29 With ESRS involvement, the owners in these cases have now achieved 100% of owners agreement to deposit funds into a maintenance account. The service will follow up on owners progress after three months with a view to closing the case.

Panel Cases Rejected for enforcement: 1 case

- 3.30 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.

The Enforcement Service: 6 projects

- 3.31 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.
- 3.32 Six projects have been approved by the ESRS Panel to progress to the enforcement process. One project has been delayed at survey stage due to issues with the provision of a mobile access platform to allow a detailed survey to take place. These issues are currently being resolved. Two projects are at first

cost estimate stage. Two projects are within the 84 day S24 notice stage. One project is on site at Gorgie Road and is progressing well.

Emergency Service Update

- 3.33 This part of ESRS has been in operation for three years prior to the new service pilot commencing and intervenes when public health & safety is at risk due to unsafe buildings. The service attends and carry out works to make safe dangerous and emergency situations. The majority of service requests are for drainage related works in private property, where Scottish Water have no responsibility.
- 3.34 Occasionally, a service request results in re-visit to the property where the issue requires further investigation or a wider scope of works in order to clear the blockage causing the issue arising.

Measures of success

- 4.1 Key measures of success are:
- (a) Conclusion of reviewing statutory notice projects;
 - (b) Collection of outstanding debt;
 - (c) Resolution of complaints; and
 - (d) Launch of new replacement service.

Financial impact

- 5.1 The associated revenue cost in resolution of the legacy closure programme, from April 2013 forecast to March 2016, totals £7.4m. A current assessed requirement of **£1.1m** 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 £13.9m has been approved, as at 25 June 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 A budget of **£1.3m** has been set for the ESRS for 2016/17. The overall 2016/17 budget available for both legacy and ESRS is £2.4m.

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 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 -](#)

Hugh Dunn

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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 & Legacy Dashboard

June 2016

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

EDINBURGH SHARED REPAIRS SERVICE		
The Phased Implementation of the new full service will take place in 2016/17. A Soft Launch of the new service began on 1 st June 2016.		
TOP RISKS	MITIGATION	
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 June.	
2. Tender returns at ITT stage	ITT to be issued in July 2016.	
3. People	All staff that are permanent to the Council will be undergoing review. This is scheduled to take place at the end of September 2016. Following review the Business Plan will be implemented.	
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.	
OVERALL STATUS	COMMENTS	
Governance	The Edinburgh Shared Repairs Service and Legacy Programme will be managed overall within the Corporate Property Service in the new Council structure.	
Processes	Draft procedure are being tested during Pilot and implementation phase. Proposed changes are being tracked. Procedures will be updated internally and reissued by the end of August 2016. An internal audit was carried out by PWC in February 2016.	
IT	Work is underway to implement the operational workstream deliverables. The main focus at present is to establish the baseline for system redesign for each of the business processes. The implementation of a task based management system is underway.	
Finance	Finance processes and procedures in place for financial management of ESRS. Operating budget for 2016/17 sits at £1.3m.	
Procurement	ITT document being prepared. Contractors framework is programmed to be in place by November 2016.	
People	Following board approval the recruitment process is underway for a graduate Building Surveyor. Recruitment of suitable technical resource will continue to be reviewed.	
KEY PLANNED ACTIVITIES		
The service is moving into a phased implementation for the financial year 2016-17. The service will be promoted through Newsbeat on the Orb and other avenue. A new visual identity for ESRS is being prepared for use on site signboards used on scaffolding on projects and other materials used by the service.		

LEGACY PROGRAMME		
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.		
TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Morton Fraser are leading on Debt Recovery.	
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	
3. Settlement Process	All Settlement letters have been issued.	
4. Loss of legacy staff through service reviews	Discussion with relevant Directors to ensure service is maintained.	
OVERALL STATUS	COMMENTS	RAG
Case Reviews and Settlements	All complainants and other affected owners have been issued with settlement.	
Debt Recovery	Debt outstanding is currently £9.2m. Of this debt £7.5m 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	From the TB projects handed over to ESRS from 1 January : <ul style="list-style-type: none"> • 2 projects due to be re-programmed for completion in late summer • 12 projects are in the defect period to be signed off by ESRS 	
Customer services	Customer contact across the legacy service shows a steady decline.	
KEY PLANNED ACTIVITIES		INFORMATION / DECISIONS
Continuation of debt recovery programme. Continuation of legacy projects. Management of closure programme timeline		Service review to be undertaken 2016/17 closure programme staffing under continual review



ESRS Phased Implementation Dashboard

Programme dashboard as at 25 June 2016

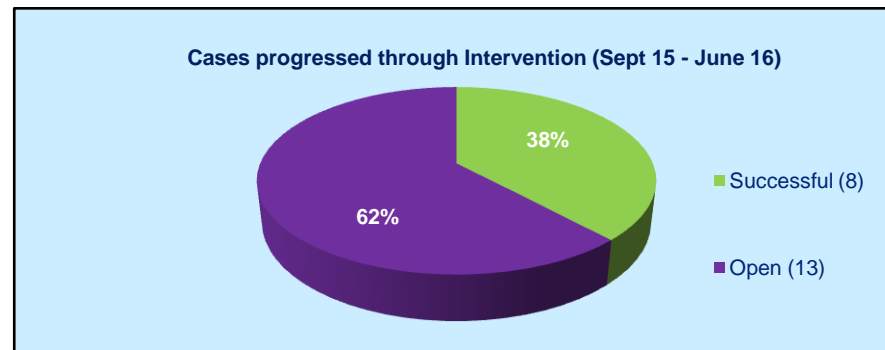


OVERVIEW OF PROGRESS

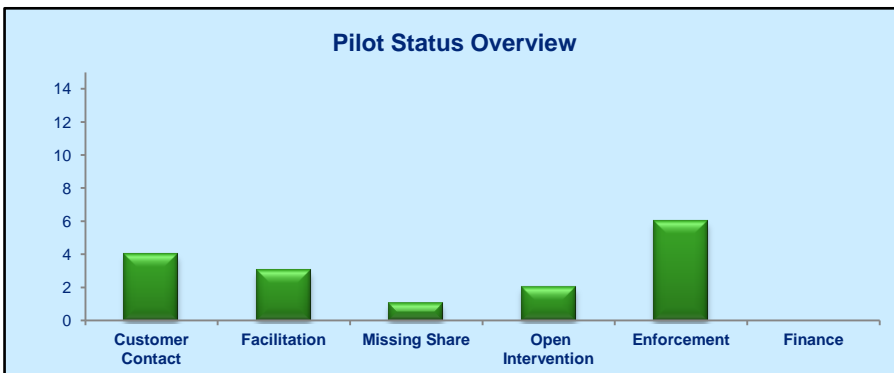
We have now launched the new service in its implementation phase. A soft launch of the new service began on 1 June 2016. Increases in requests for service will be reported to the Board on a monthly basis. The customer contact area of the service has adopted a change in script to customers calling for assistance with repairs to their properties.

The Pilot Phase currently consists of 13 open cases with successful intervention achieved on 8 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.

CASE WORKLOAD PROGRESS		NO.
Customer Contact:	• Collating Information from Lead Owner	4
Facilitation:	• Advice and Information	3
Missing Share:	• Case Open	1
	• Case Open	2
Intervention:	• Panel Cases Rejected for Enforcement	1
	• Successful Intervention	8
Enforcement:	• Site Survey / S24 Notice / S26 Notice	5
	• Procurement	
	• Projects on site	1
Finance:	• Final Account issued	
	• Invoices issued to owners	
Total Number of Cases		25



PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Under £10,000		3	£14k
2. Under £50,000		5	£150k
3. Under £250,00	3		£366k
4. Over £250,000	2		£664k
TOTAL	5	8	£1.194m



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	1	£2.1m

ICT UPDATE

The management and tracking of the pilot projects continue to be handled successfully within the interim database.

Uniform improvements are being implemented over the summer to allow the migration off this interim system.



Emergency Service Dashboard

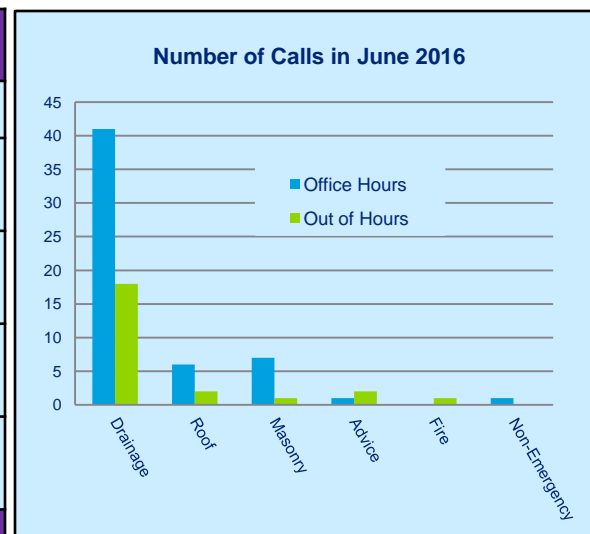
Programme dashboard as at 25 June 2016



OVERVIEW OF PROGRESS

Requests for the service to attend to emergency issues during June have remained consistent with the previous two months. 70% of the defects related to drainage issues, 11% were reports of masonry defects, 9% roof defects and the remainder resulted in advice being provided by the attending officer. 28 (35%) of the requests for service were defects being reported by owners and members of the public outwith normal office hours.

EMERGENCY SERVICE WORKLOAD	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16
No. of service requests (Site Visits)	78	104	90	81	86	80
No of emergency repair inspections resulting in statutory notices issued	57	64	61	60	56	47
No. of Emergency service requests where information / advice was provided	21	40	29	21	30	33
Value of invoices issued to owners for emergency repairs	£15,398	£21,884	£46,527	£22,055	£13,636	£34,477
Value of income received from owners for emergency repairs	£7,671	£21,958	£24,456	£20,983	£24,981	£20,237

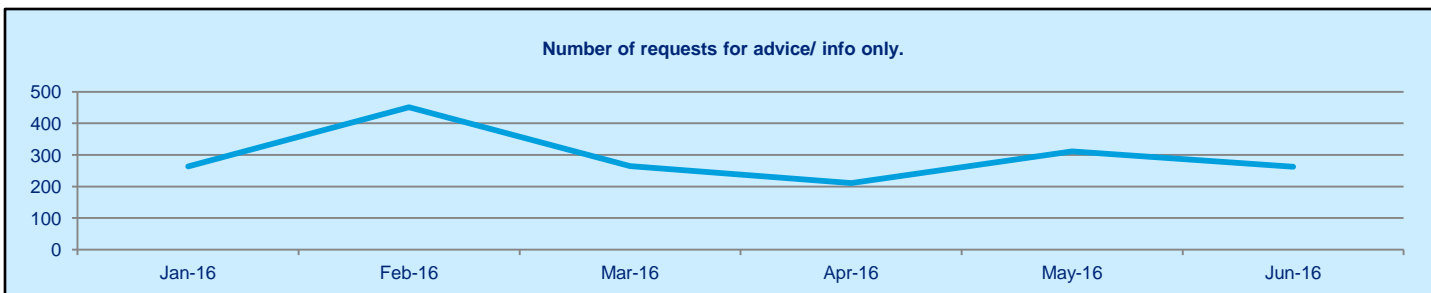


Customer Services



OVERVIEW

Through June 262 requests for advice and information were handled by the service. During this month there were 3916 website visits. The service also dealt with 637 solicitors enquires in this period.



SOLICITOR ENQUIRES RECEIVED

637

ESRS WEBSITE VISITS

3916



Finance and Debt Recovery Overview

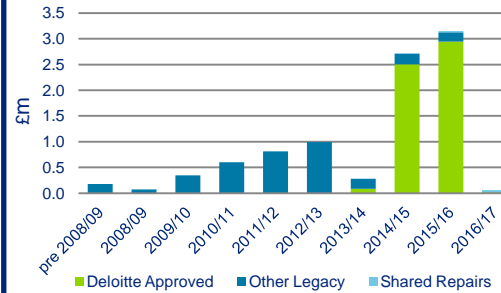
Programme dashboard as at 25 June 2016

PROGRESS

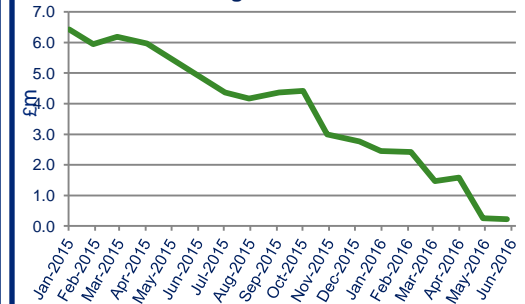
The current level of debt outstanding is £9.2m of which £5.6m is Deloitte (Project Joule) reviewed debt and £3.6m of Legacy and Shared Repairs debt. A total of £7.5m is being pursued through active billing. Debt of £1.7m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £0.3m as disputes are resolved and settlements processed.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£5.5m	£2.0m	£7.5m
Total debt scheduled for action	£0.1m	£1.6m	£1.7m
Total Debt	£5.6m	£3.6m	£9.2m
Payment plans and inhibitions agreed within debt total	£1.2m	£0.3m	£1.5m

Aged Debt As At 25th June 2016



Suspended Invoice Balance Outstanding As At 25 June 2016

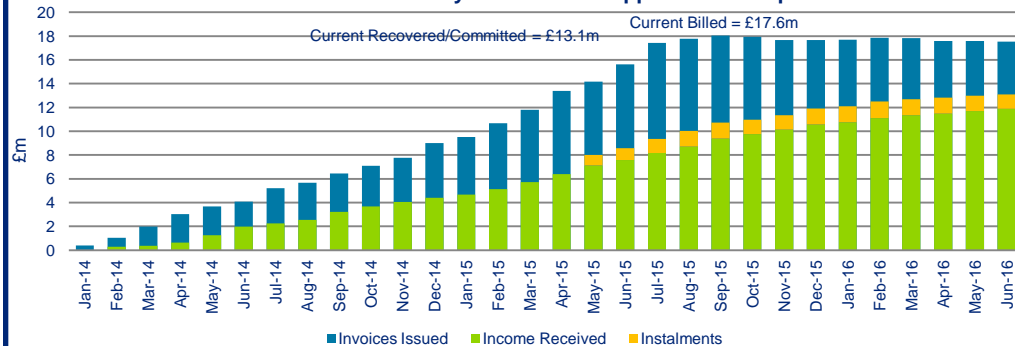


Project Joule Billing and Recovery Progress

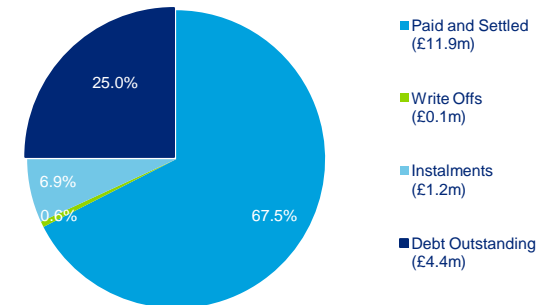
PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.6m. £11.9m has been received in settlement and a further £1.2m of secured debt in payment plans and inhibitions giving a total of settled and secured debt of £13.1m. This represents a current collection rate of 74%. The balance of debt, including write off, is £4.5m.

Cumulative Analysis of Deloitte approved stat repair debt



Deloitte Project Joule Debt from January 2014 to June 2016





Morton Fraser Progress

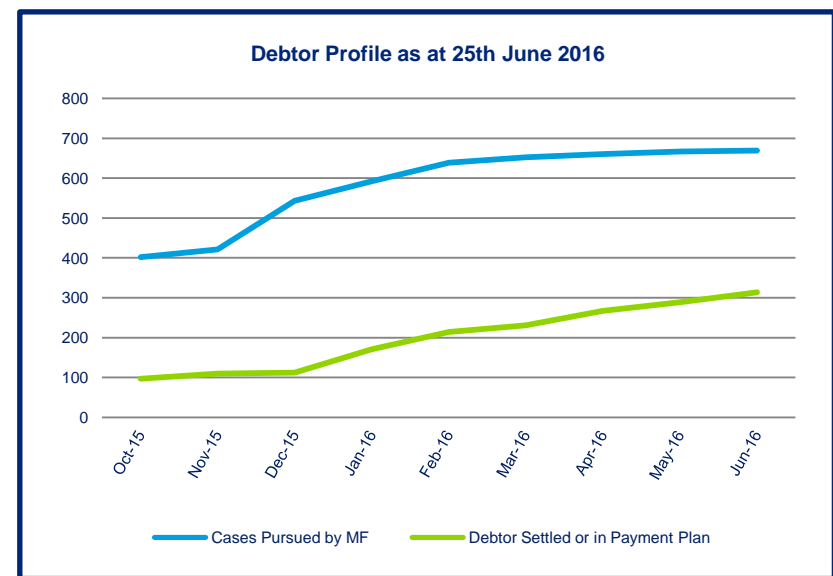
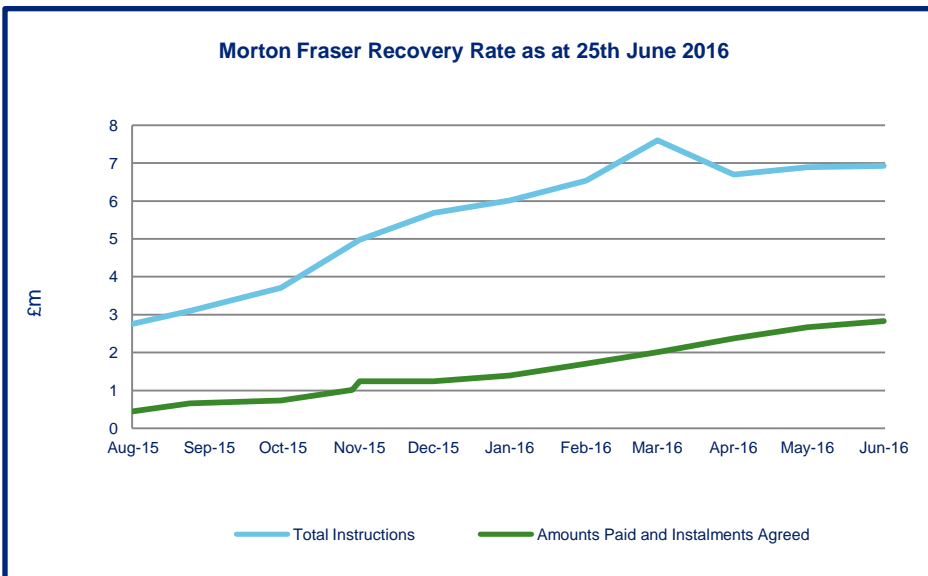
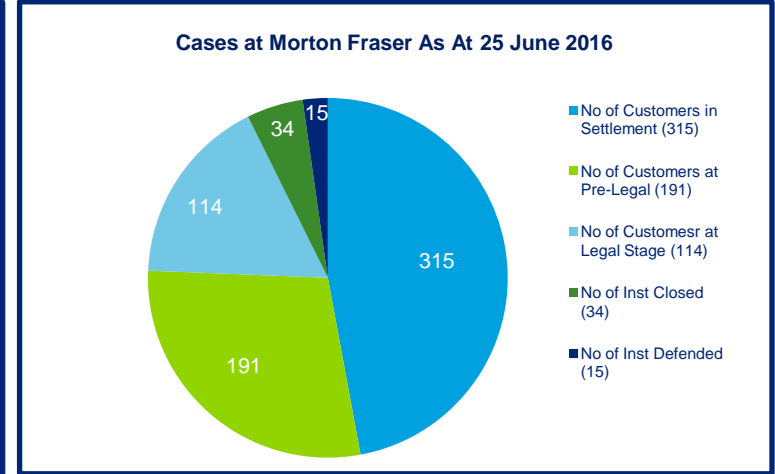
Programme dashboard as at 25 June 2016



PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 669 instructions have been issued to Morton Fraser with a total value of £6.9m for debt collection. Over the 15 month period from April 2015 to date the overall sums settled or in payment plans total £2.6m over 315 customers, 191 cases are at pre legal stage, 114 at legal stage with 34 cases closed and 15 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	Mar-16	Apr-16	May-16	Jun-16
Total debt recovery cases pursued by Morton Fraser	652	660	667	669
Total value of instructions issued	£7.6m	£6.7m	£6.9m	£6.9m
Total debtors settled or in payment plan	231	267	289	315
Total sum recovered or in payment plan	£1.9m	£2.2m	£2.4m	£2.6m
Total sum recovered in payment plan as % of debt recovery	24%	33%	35%	37%





Provision for Impairment and Settlements

Programme dashboard as at 25 June 2016

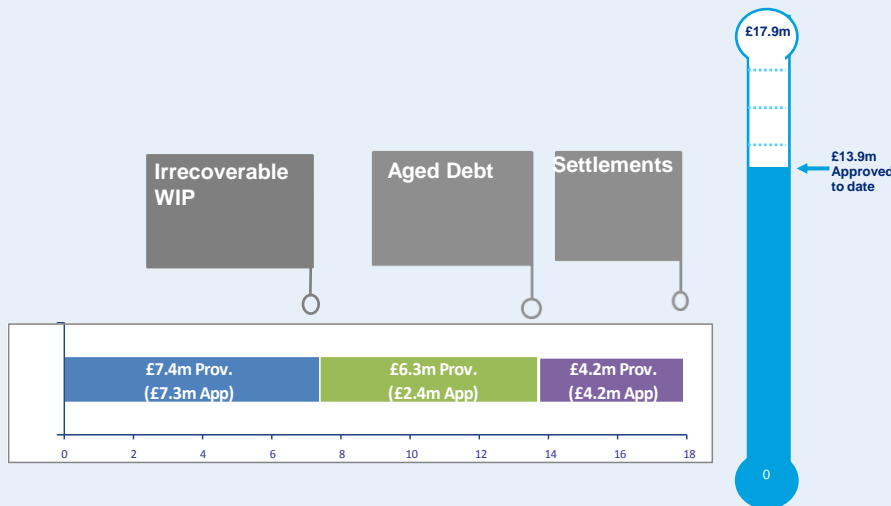


PROGRESS

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 48% is required to ensure adequacy of provision. Current recovery rate is 68%.
- **Settlements (£4.2m)** –Work on settlements is nearing completion with an expected write off sum of £4.2m.

Provision for Impairment and Settlements



Impairments to date Deloitte –Project Joule

-Delegated authority (<£50k)
£ 2,071,600

-Board approved (£50k-£100k)
£ 1,323,881

-Committee approved (>£100k)
£ 3,044,272

Total Deloitte(Project Joule)
£ 6,439,753

-Non Deloitte – Legacy(<£50k)
£868,065

-Debt Recovery
£ 2,387,831

-Settlements approved
£ 4,205,943

Total £ 13,901,592

Complainant Closure Status

