

Finance and Resource Committee

2.00pm, Thursday 18 August 2016

Edinburgh Shared Repairs Service – Evaluation of the Pilot

Item number	7.24
Report number	
Executive/routine	
Wards	

Executive summary

This report provides the Finance and Resources Committee with an evaluation of the pilot of the Edinburgh Shared Repairs Service (ESRS).

Links

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

Edinburgh Shared Repairs Service – Evaluation of the Pilot

Recommendations

- 1.1 The Committee:
 - 1.1.1 Notes the evaluation of the Edinburgh Shared Repairs Service (ESRS) pilot which ran between September 2015 and April 2016;
 - 1.1.2 Notes the inherent risks in the provision of an enforcement service in Edinburgh;
 - 1.1.3 Notes the ongoing subsidy requirement for the ESRS as presently established; and
 - 1.1.4 Notes the Risk Analysis in Appendix 1.

Background

- 2.1 The implementation of an enforcement service was approved with a budget of £1.6m for the financial year 2016-17 at the Council meeting of February 2016, which has been reduced to £1.3m following centralisation of IT costs.

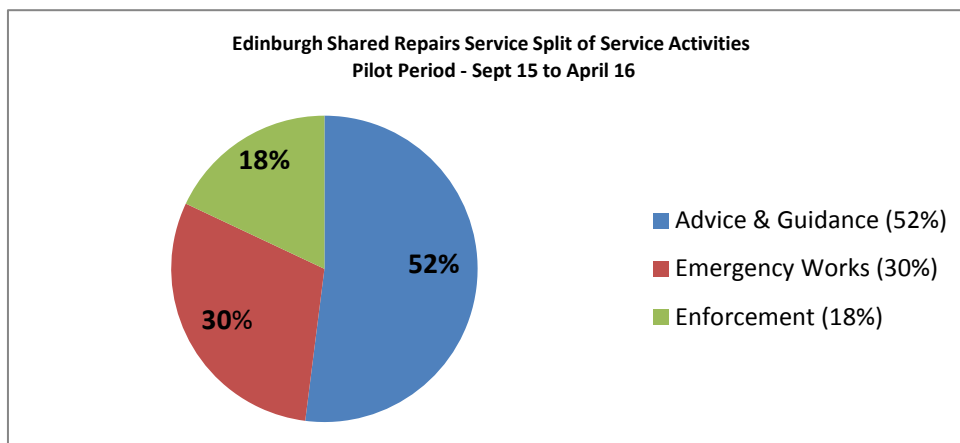
Main report

- 3.1 This report evaluates the pilot phase of ESRS, which ran from September 2015 to April 2016. The pilot considered 20 cases.
- 3.2 The ESRS was established to further the remit of the Shared Repairs Service (SRS), which was primarily concerned with the carrying out of emergency repairs on privately owned property across Edinburgh.
- 3.3 In addition to the continuing provision of an emergency response team, the ESRS has been established to offer private home owners additional help and assistance to organise repairs.
- 3.4 The service is made up of 3 main parts: -
 - i. Advice & Guidance, Facilitation & Intervention;
 - ii. Emergency Works; and
 - iii. Enforcement
- 3.5 These services range from facilitation and intervention, where the Council are trying to work with owners to help them control and carry out their own repairs. This can ultimately extend to enforcement, where the Council will use the 1991

Confirmation Act as a last resort to issue statutory notices, carry out the works and invoice owners thereafter.

- 3.6 The proportion of time staff have spent on respective areas of the service is shown in Table 1.

Table 1 Split of Service Activities



Main Issues Arising From the Pilot

Advice & Guidance, Facilitation and Intervention

- 3.7 The ESRS has consciously been shaped to have a much stronger emphasis on the customer side of the business than its predecessor. This means that there is a significant amount of work with individual owners, geared towards helping them to have their repairs works carried out by themselves with a Statutory Notice only being issued as a last resort.
- 3.8 If advice and guidance is required by the customer, on how to progress the repair, then the service will offer to send out an 'evidence pack' to the owner. This includes advice on checking of title deeds and the use of the Tenements (Scotland) Act 2004. The customer is also guided towards the ESRS website to assist them in their efforts to progress the repair privately.
- 3.9 If the owner requests that the Council assist them to progress the repair, they must provide evidence to show that they have failed to progress the repair privately. Exceptions will be considered by the ESRS Panel, where there are equality issues including vulnerability, prior to agreement to alter the internal processes.
- 3.10 When the service is satisfied that the owner has tried to have the works done themselves, but has failed, the case will then be allocated to a case officer in the intervention section of the service.
- 3.11 In the intervention service, case officers take an active role in assisting owners to control and carry out their own repair works, without enforcement by the Council.

- 3.12 To date, the service has been successful in closing 44% of cases which have reached the intervention stage. This is due to the owners committing to undertake the works privately after intervention by case officers. The service will follow up after 3 months has passed, to check that owners have progressed the works before closing the case.

The key issues in the Customer Contact, Intervention and Facilitation areas of the service area are cost, process and time.

a) The costs for activities undertaken by officers during this time are at risk of non recovery by the Council unless the project is enforced.

b) For the customer, while they are getting dedicated officer attention, it does mean that they are having to work through and satisfy service procedures which, by their nature, are bureaucratic.

c) The time taken for a case to progress from Customer contact and through intervention depends on the lead owner and the speed with which they can meet service requirements.

Enforcement

- 3.13 During the pilot, the service had 6 projects progress to the enforcement stage. There are several stages within the enforcement part of the service. 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.
- 3.14 Controlling the extent of works, which could reasonably be carried out on a building, has been strengthened due to the extent of dialogue with owners, prior to works starting on site, and the introduction of detailed surveying prior to tendering and the stronger management of contractors.
- 3.15 The current business plan, approved by the Programme Board and the Finance and Resources Committee in October 2015 allowed for an enforced projects workload of £5m per annum, based on contractors cost incurred. Therefore, the procurement of the contractors framework is based on this level of workload. Limitation is necessary to mitigate the financial risks to the Council. The risk analysis is identified in Appendix 1.
- 3.16 The recovery of costs incurred following the enforcement of projects, includes the project management fee of 26%. This fee includes a proportion for the costs incurred during intervention of the project prior to enforcement.
- 3.17 As part of the mitigation of financial risk, the service will pilot the use of payment of 'Missing Share' through 2016/17. The missing share is detailed in the Housing Scotland Act 2006 and allows local authorities to help owners carry out their own repair works through the payment of a 'missing share' which can then

be recovered. The Council will only be responsible for paying the 'Missing Share' cost. The recovery of costs for project works is not pursued until the works are completed, and a Final Account has been agreed with the contractor.

The key issues in the Enforcement part of the service area are contractor management and customer interface.

a) The contractual relationship is between the Council and the contractor carrying out the works. Individual owners have no contractual relationship with the contractor or the Council, and the Council's relationship with the owner is a statutory one only. While this is made clear, a number of owners do believe, and act, as if they have a contractual relationship with the Council. This manifests itself in a number of different ways, such as owners expecting to be able to make decisions regarding the scope of works. This expectation of owners requires to be managed through meetings and ongoing correspondence during the project.

b) The contractual relationships in the service are between the Council and the allocated contractor. The owner has no contractual relationship with either. Therefore, the related responsibilities and accountability always lie with the Council and not the owner. The Council has responsibilities to maintain years after projects are complete, which may result in financial burdens/risk.

c) As well as having the role as contract administrator, the Council have to act as a conduit between contractor and owner should any issues arise during the works. Project issues brought up by the owners are dealt with within the timescales set out by the Council's customer care policy.

Emergency Service

3.18 Emergency services provided by ESRS include: -

- I. Attendance to emergency calls within a 2 hour period and contractor attendance within 4 hours if make safe works are required;
- II. Out of hour's attendance to emergency calls, including weekends.

3.19 Building defects include falling masonry, dangerous loose slates, dangerous chimneys and unsafe structures being reported and attended to.

3.20 The main concern reported to the service from members of the public, and private homeowners, is blocked drainage systems. The remit of the service is to locate and clear the blockages. No further investigation or repair is undertaken.

3.21 In the emergency service, 88% of works carried out by the Council are in relation to drainage issues where the issue presents a public health issue. The costs of the attendance by officers, and the contractor costs, are recoverable from

owners under the 1991 Confirmation Act. The Council currently subsidises this service.

3.22 The service is also one of the main out of hours emergency providers.

The key issues in the Emergency service area are financial, process and organisational.
a) The historic administration fee of 15% does not adequately cover staff costs carrying out work. Costs of re-visits are not recoverable under existing procedures.
b) Where a drainage block occurs over three times, and the service has continually revisited the site, the current processes do not allow minor new repairs to be carried out.
c) The Emergency Services, Police or the Fire Service, called ESRS on 34 occasions to report various emergencies, including falling masonry, slates, dangerous buildings and five incidents relating to vehicles crashing into structures. In the majority of cases, the cost of attendance to this type of emergency is not recoverable as these incidents do not always relate to properties in shared ownership.

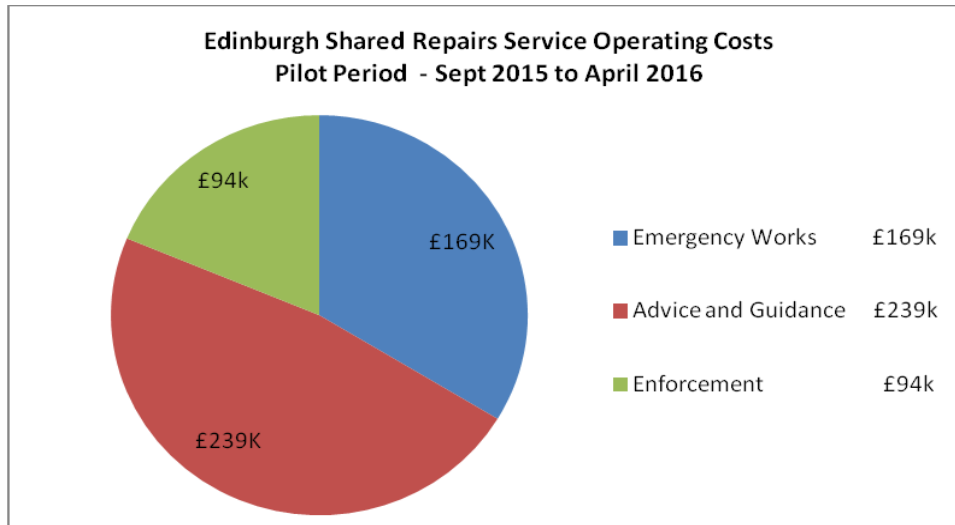
Finance

Operating Costs

3.23 The total operating costs of the ESRS from the pilot launch in September 2015 to end April 2016, amounts to £502K. This sum represents a spend on 15.7 FTE officers at a total salary costs (incl. employers costs) of £452k. Transport, systems costs and other supplies and services total £37k and a spend of £13k for the use of consultants on contractor procurement support.

3.24 A breakdown of costs across pilot activity over the 8 month period is shown in Table 2. These costs are activity based and reflect staff time and costs spent on the areas of work covered by the service.

Table 2: Operating Costs



Fee Income

- 3.25 In establishing the Edinburgh Shared Repairs Service the opportunity is being taken to review the scale of administration charges, for both the Emergency and Enforcement Services to ensure that the charges being levied are, strengthened, transparent, accountable and represent the activity costs associated with the project.

Emergency Works - Administration Charge

- 3.26 The Council is obliged to recover costs for all contractor's costs carried out in default of the joint owners. As well as the contractor's costs, the Council recovers a 15% Administration Charge. The Administration Charge for repairs carried out under Statutory Notice has been historically set at 15% of the cost of the contracted works on both enforcement and emergency works. For emergency works a scale of charges has been set for a minimum charge of £25 +15% where each owners share is less than £25 per share. A call out charge of £108 (daytime) and £150 (evenings and weekends) is levied where the customer's call has not resulted in work being carried out. These rates are now being reviewed to reflect the reckonable costs of the Emergency Services.

Project Management Fees

- 3.27 The project management fee has been set at 26% of recoverable costs. This level of fee, and based on a workload demand of £5m once the service is fully operational, will generate an income of £1.3m per annum. At this rate, the Council will be able to recover the service overheads in full but, due to time lags in completion of projects, the fee income generated may not be received in the

year in which the costs were incurred. However, it should be noted that enforcement is only undertaken once all other options have been considered and found not to be suitable.

- 3.28 It is forecast that the charging policy will allow the Council to recover the costs associated with the completion of emergency works and essential repairs enforced by the Council.

Net Expenditure

- 3.29 Whilst the charging proposals will be based on recovering overheads incurred fully on emergency works and essential repairs, the Council will continue to incur a non recoverable cost on facilitation and intervention work that requires to be funded. In addition, as a consequence of time-lags and income phasing, it is recognised that there will be a requirement for the Council to approve an ESRS recurring budgetary provision, which has for 2016/17 been set at £1.3m.

Conclusions

- 3.30 Demand - The ESRS pilot workload has shown that there is demand for the service. The number of service requests has been an average 84 cases per month. Controlling the number of projects in enforcement is important particularly in relation to ensuring that the work in progress (WIP) expenditure is controlled.
- 3.31 Risk - The service operates in an environment which is high risk for the Council. There are inherent risks in the delivery of construction projects and in the nature of enforcement of works onto private home owners. Both these factors present reputational and financial risks. See Appendix 1.
- 3.32 Works Scope - It is the case that scope creep is an ever present possibility, mainly because the wider condition of historic properties the service are working on is poor. Edinburgh has no historic history of factoring as defined in deeds of condition which are common in other parts of Scotland.
- 3.33 Service Viability - The only parts of the service which receive income are the emergency provision and the enforcement team.
- 3.34 Legislation – Through its experience with historic Property Conservation issues and the current service development, the Council are well placed to contribute to the development of wider national legislation in Scotland in relation to the responsibilities placed on home owners to repair and maintain their properties.

Measures of success

- 4.1 Provide owners with a service which results in the majority of owners taking works on privately.
- 4.2 Only enforce repair projects as a last resort.
- 4.3 Provide the option of Missing Shares to encourage owners to arrange works privately.

Financial impact

5.1 A budget of £1.3m 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 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

Acting Executive Director of Resources











Contact: Andrew Field, Edinburgh Shared Repairs Service Senior Manager

E-mail: andrew.field@edinburgh.gov.uk | Tel: 0131 529 7354

Links

Coalition pledges	<p>P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city’s built heritage</p> <p>P41 – Take firm action to resolve issues surrounding the Council’s Property Services</p>
Council outcomes	<p>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</p>
Single Outcome Agreement	<p>SO4 – Edinburgh’s communities are safer and have improved physical and social fabric</p>
Appendices	<p>Appendix 1: Risk Analysis</p>

Appendix 1 Risk Analysis:

Title	Risk	Mitigation	Impact	Likelihood
Reputational Risk	The very nature of the service means that the Council will find itself enforcing works on owners who are already in dispute which may lead to further reputational damage	Emphasis on working with owners to enable them to take over repairs works. Correspondence during the intervention process sets out the benefits of working together		
Financial Risks	There will be ongoing requirement of the new service to be subsidised and the potential deficit could be larger than estimated due to other inherent risks	Controlling supply through gradualised growth.		
Bad debt Risks	The nature of the service is that works are completed and contractors paid before owners are billed. Some customers will not be in a position to pay, resulting in the possibility of high levels of bad debt.	Early identification of potential payee risks and early information on payment options. The ESRS panel consider financial risk prior to decision to enforce. The ESRS panel control the number of projects on-site. Past experiences shows that debt recovery never reaches 100%.		
Construction Industry scope Risk	The service will always be exposed to the risk of challenge over the scope and costs of works. Construction work, particularly in the repairs of historic and older buildings is difficult to estimate in advance and often results in costs estimates exceeding expectations and can lead to litigious events	Establishment of KPIs and relationship management with contractors. The in-depth survey procedure will present a clearer picture of overall repair needs. Risk register keeps track of possible unforeseen repairs.		
ICT Risk	The improvements to be generated by the agreed IT deliverables cannot be fully affected due to issues with IT systems	Dedicated IT officer working on operational improvements. The uniform system to provide task bases system including financial information.		
Capability Risk	The improvement outlined in service design cannot be affected due to the lack of capability within the service	A service review will begin in September 2016. This will include an assessment of approach to recruitment, predominantly in the technical resource.	