

Finance and Resources Committee

10.00am, Thursday 8 September 2016

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

Item number	7.8
Report number	
Executive/routine	
Wards	

Executive summary

This report provides 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 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.
 - 1.1.4 Notes the update on the cancelled unimplemented statutory notices
 - 1.1.5 Notes the update on the implementation of ESRS.
 - 1.1.6 Agree that future reports would be considered by the Property sub-committee and the frequency of reports to the sub-committee should be quarterly.

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 July 2016.

Main report

Management information

- 3.1 Management Information as at 25 July 2016 is attached in Appendix 1.

Delegated Authority – Irrecoverable Sums and Settlements

- 3.2 The provision for impairment and for settlement repayments is £17.9m.
- 3.3 As at 25 July 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 Based on the existing information the balance of £4m on the provision remains adequate but continues to be subject to regular review by the Edinburgh Shared Repairs Senior Manager and the Acting Executive Director of Resources.

Billing and Recovery Update

- 3.5 Billing on Deloitte reviewed projects is complete at a total of £17.6m.
- 3.6 To 25 July 2016, £12m has been received in payments 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 £13.3m (76%).
- 3.7 The balance of debt of £4.3m (24%) 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, 672 instructions have been issued to Morton Fraser with a total value of £6.9m for debt collection.
- 3.9 From April 2015 to 25 July 2016 the overall sums recovered or in payment plans secured by Morton Fraser total £2.8m (40%) over 330 customers.
- 3.10 The costs of Morton Fraser, to date in return for the £2.8m recovery is £135k. As at 25 July 2016, the percentage solicitor's fees against sums recovered is 5%. The solicitor's fee to debt recovery ratio is £21 recovered for every £1 spent. These figures will vary from month to month.
- 3.11 Monthly review meetings are 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 July 2016 the suspended debt has reduced from £6.4m to £0.2m as disputes are resolved and settlements processed.
- 3.15 The remaining suspended debt of £0.2m relates primarily to old legacy invoices. Internal reviews are taking place with a view to finalise recovery or seek legal advice with a review to settle.

Complaint Resolution and Settlements

- 3.16 The work remaining in this area relates to back end administrative activity.

Unimplemented Statutory Notices Cancellation

- 3.17 Good progress has been made on the unenforced unlifted notices and this is on schedule to complete by mid August. To end of July 2016, 5491 letters were issued and corresponding Statutory Notices have been cancelled.
- 3.18 The service has had 30 responses to the letters issued. This has resulted in a small number of owners requesting information on how the Council can assist in organising shared repairs.
- 3.19 Approximately 4,000 letters remain to be issued and approximately 500 notices will be lifted over the coming weeks to complete the process.

New Service Update - Implementation of ESRS

Advice and information

- 3.20 This 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. This month 28 packs have been requested by customers.

Customer Contact: 5 cases

- 3.21 This 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 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 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.
- 3.22 Customer contact officers are currently reviewing four cases with one new case this month. This new potential cases is for minor repairs. One existing case for major repair works is in abeyance.

Facilitation: 3 cases

- 3.23 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.

The Intervention Service: 3 cases

- 3.24 The intervention service is made up of the activity undertaken following the identification of an essential repair and prior to taking a decision to enforce the repair, where the objective is to support owners to take responsibility to progress 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.
- 3.25 Case officers currently have three cases where correspondence is on-going with the lead owner. Other owners are engaging at each of these properties.

Missing Share Cases: 1 case

- 3.26 One case has been brought to the service by owners requesting a missing share. The case has 21 owners, where 20 owners have agreed to take the works forward privately and 1 owner is unwilling to participate.
- 3.27 The application forms and information have been sent to owners and upon receipt this will be taken to Panel.

Successful Intervention/Cases closed: 8 cases

- 3.28 The phased Implementation service has successfully intervened and closed eight cases in total. A follow up will be undertaken to check that the work has been done 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 the maintenance account. The service will follow up on owners progress after three months with a view to closing the case.

The Enforcement Service: 6 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 Six projects have been approved by the ESRS Panel to progress to the enforcement process. Statutory Notices have been issued on five projects. Of these:-
- Three projects are in the Section 24 waiting period.
 - One project is in the Section 26 waiting period.
 - One project is awaiting the survey report and cost estimate to be issued.
 - One project is on site.

Emergency Service Update

- 3.32 This part of ESRS has been in operation for 3 years prior to the new service pilot commencing. This area of the service intervenes when public health & safety is at risk due to unsafe buildings. We attend and carry out works to make safe immediately dangerous and emergency situations. The majority of service requests are for drainage related works in private property where Scottish Water have no responsibility.
- 3.33 Occasionally a service requests results in re-visits 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.
- 3.34 The service has now issued two open drainage notices on projects where continual re-visits were required by the emergency service officers and a permanent solution is required. The process is that notices are issued under 31(1) of the 1991 Confirmation Act to notify owners of the repair need. Subject to any appeals the service may issue a further notice under 31(3) which will allow the Council to enforce the repair works.

New Edinburgh Shared Repair Service Implementation

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

Governance

- 3.36 It is recommended that future reports would be considered by the reformed Property sub-committee and the frequency of reports to the sub-committee should be quarterly.

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 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 need 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 July 2016.

- 5.3 The adequacy of the impairment and settlement provision remains under regular review by the Edinburgh Shared Repairs Service Senior Manager 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 P40 – Work with Edinburgh World Heritage Trust and other

pledges	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

July 2016

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

EDINBURGH SHARED REPAIRS SERVICE		
The Phased Implementation of the new full service will take place throughout 2016/17. A Soft Launch of the new service began on 1 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 1 June.	
2. Tender returns at ITT stage	ITT to be issued in August 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 procedures 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	Recruitment is on hold until after the Service review in September 2016. Recruitment of suitable technical resource will continue to be reviewed.	
KEY PLANNED ACTIVITIES		
The service phased implementation is ongoing throughout the financial year 2016-17. The service will be promoted through Newsbeat on the Orb and other avenues. 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.		
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 £9m. Of this debt £7.4m 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 new complaints are being investigated. • 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		
Continuation of debt recovery programme. Continuation of legacy projects. Management of closure programme timeline	INFORMATION / DECISIONS	
	Service review to be undertaken 2016/17 closure programme staffing under continual review	



ESRS Phased Implementation Dashboard

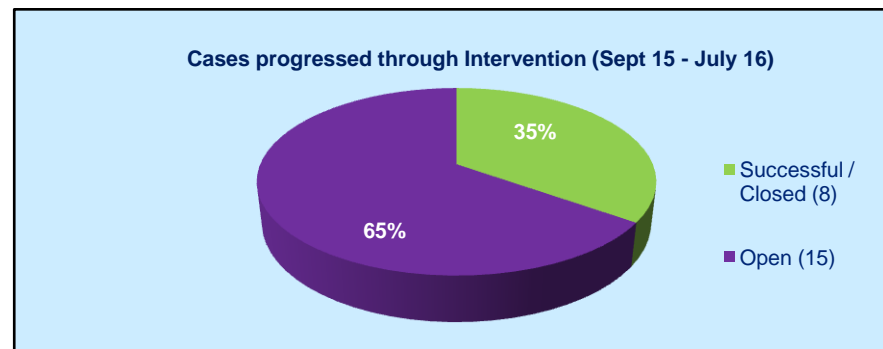
Programme dashboard as at 25 July 2016

OVERVIEW OF PROGRESS

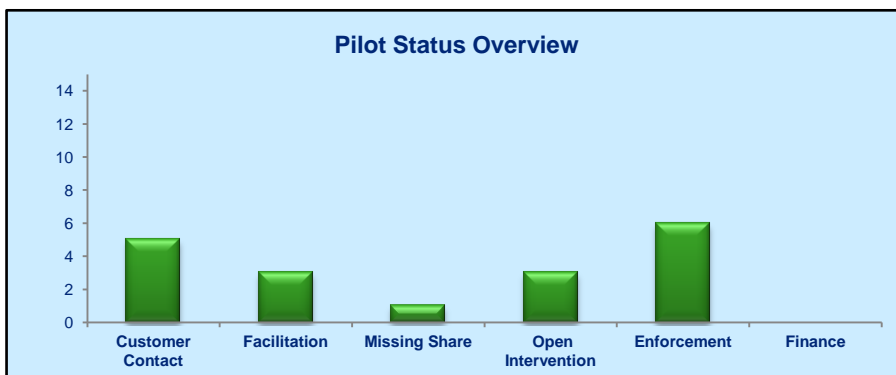
We have now launched the new service in its implementation phase. A soft launch of the new service began on 1 June 2016. Increases in requests for service will be reported to the Board on a monthly basis.

The Pilot Phase currently consists of 15 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	5
Facilitation:	• Advice and Information	3
Missing Share:	• Case Open	1
Intervention:	• Case Open	3
	• Successful Intervention / Closed Cases	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		26



PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Under £10,000		4	£14k
2. Under £50,000		5	£150k
3. Under £250,000	4		£366k
4. Over £250,000	2		£664k
TOTAL	6	9	£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 of this interim system.



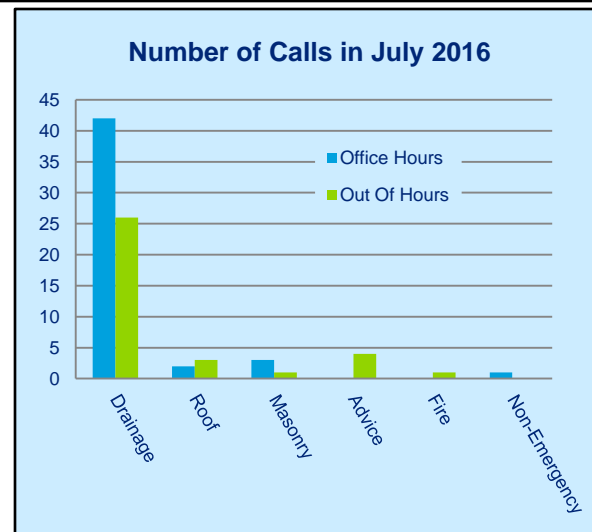
Emergency Service Dashboard

Programme dashboard as at 25 July 2016

OVERVIEW OF PROGRESS

Requests for the service to attend to emergency issues during July have remained consistent with the previous two months. 83% of the defects related to drainage issues. The remainder were reports of masonry defects and roof defects. The Out of Hours Officers received 40 requests for service and 23 of the requests resulted in a contractor making safe the reported defect.

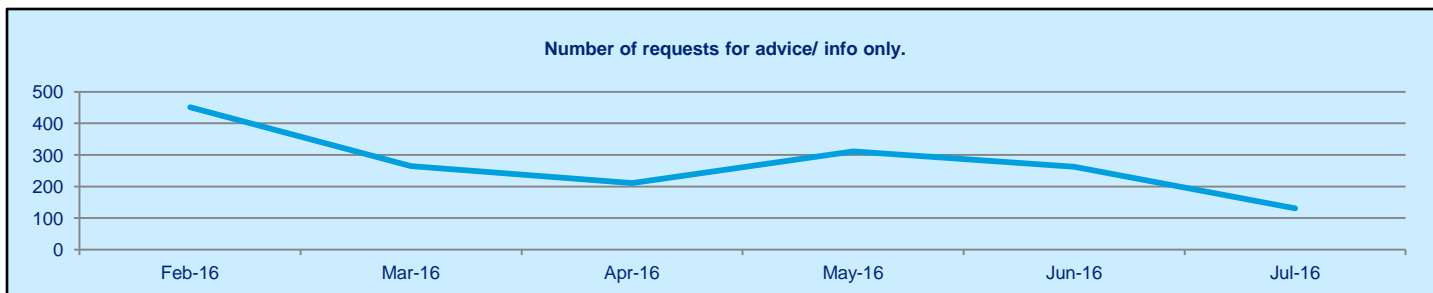
EMERGENCY SERVICE WORKLOAD	Apr 16	May 16	Jun 16	Jul 16
No. of service requests (Site Visits)	81	86	80	79
No of emergency repair inspections resulting in statutory notices issued 31(4)	60	56	47	56
No of essential repair inspections resulting in statutory notices issued 31 (1) & (3)	0	0	0	2
No. of Emergency service requests where information / advice was provided	21	30	33	23
Total value of invoices issued to owners for emergency repairs in financial year 2016/17			£179,726.46	
Timing between issue of invoices and invoice payment – collection rate is over £80%				



Customer Services

OVERVIEW

Requests for advice and information have reduced by 50% this month due to the holiday period. The requests for solicitors enquiries reduced by 11% this month also



SOLICITOR ENQUIRES RECEIVED
566
ESRS WEBSITE VISITS
3613



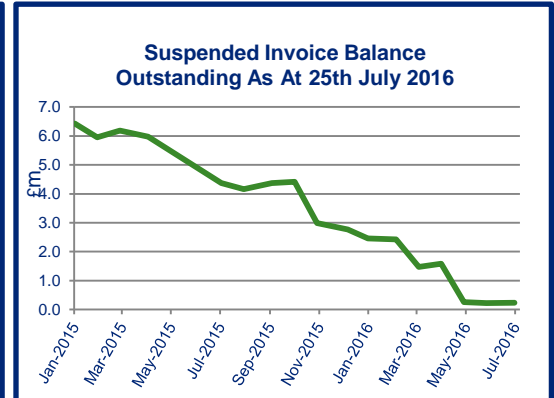
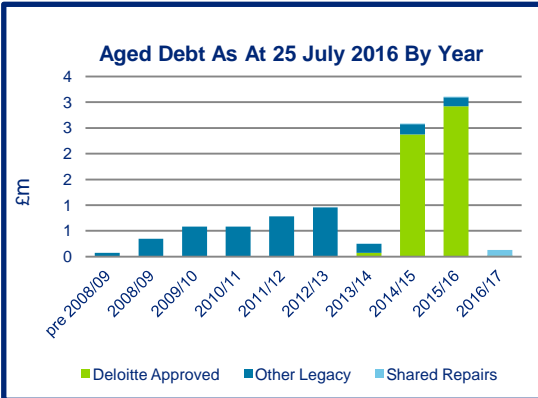
Finance and Debt Recovery Overview

Programme dashboard as at 25 July 2016

PROGRESS

The current level of debt outstanding is £9m of which £5.4m is Deloitte (Project Joule) reviewed debt and £3.6m of Legacy and Shared Repairs debt. A total of £7.4m is being pursued through active billing. Debt of £1.6m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £0.2m as disputes are resolved and settlements processed.

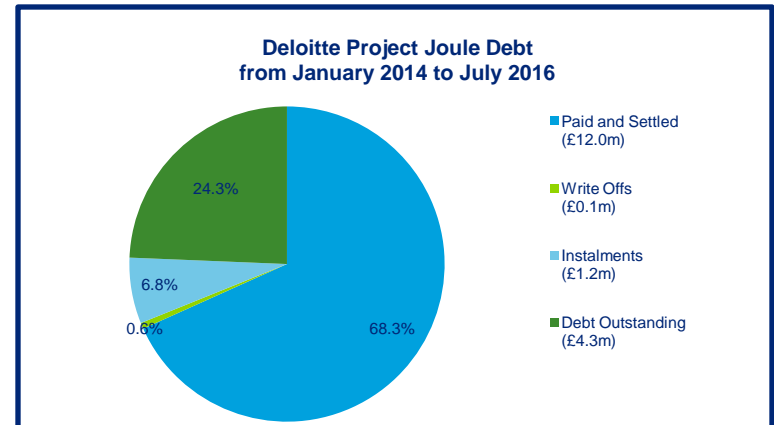
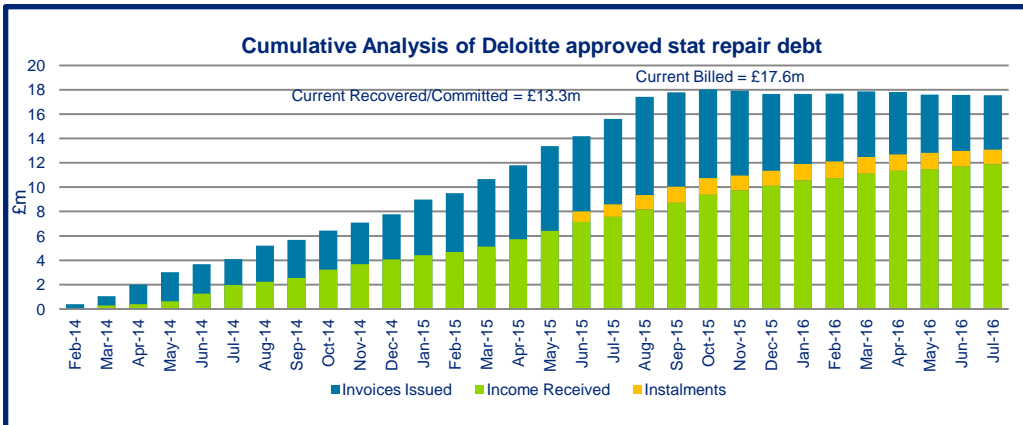
Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£5.3m	£2.1m	£7.4m
Total debt scheduled for action	£0.1m	£1.5m	£1.6m
Total Debt	£5.4m	£3.6m	£9.0m
Payment plans and inhibitions agreed within debt total	£1.2m	£0.3m	£1.5m



Project Joule Billing and Recovery Progress

PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.6m. £12m 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 £13.3m. This represents a current collection rate of 76%. The balance of debt, including write off, is £4.4m.

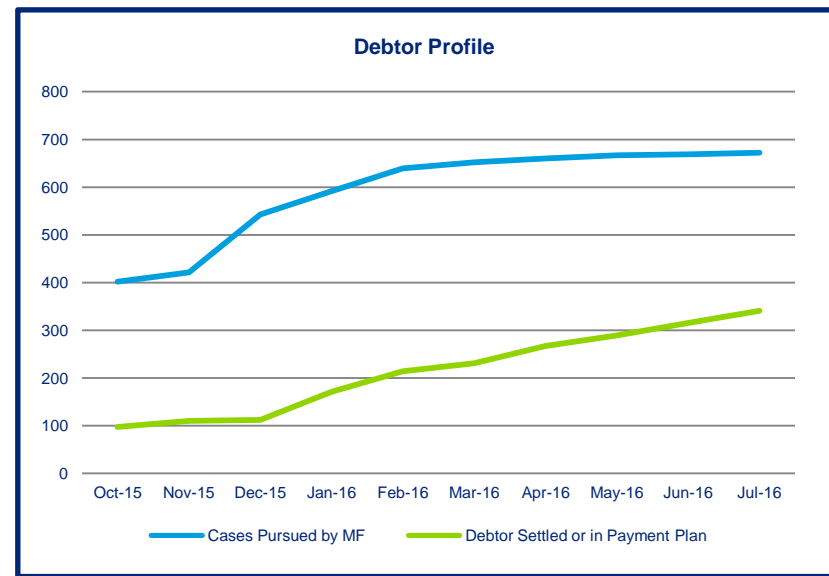
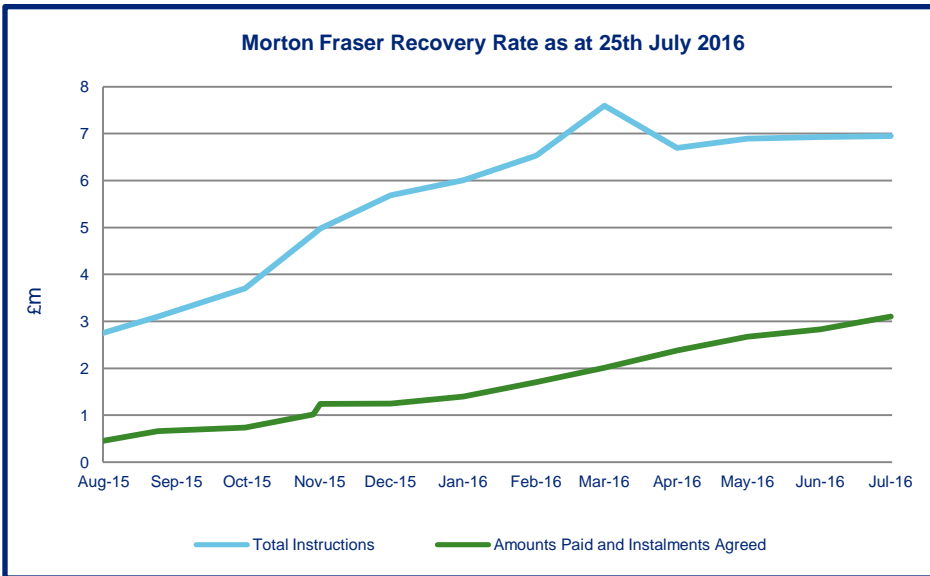
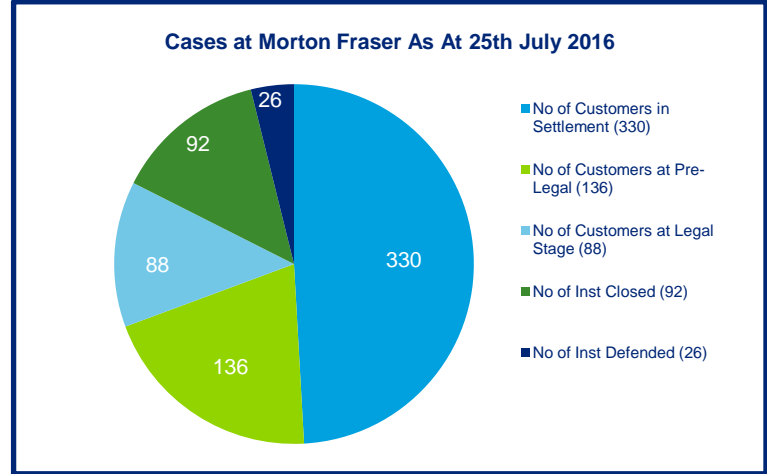




PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 672 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 £2.8m over 330 customers, 136 cases are at pre legal stage, 88 at legal stage with 92 cases closed and 26 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	Apr-16	May-16	Jun-16	Jul-16
Total debt recovery cases pursued by Morton Fraser	660	667	669	672
Total value of instructions issued	£6.7m	£6.9m	£6.9m	£6.9m
Total debtors settled or in payment plan	267	289	315	330
Total sum recovered or in payment plan	£2.2m	£2.4m	£2.6m	£2.8m
Total sum recovered in payment plan as % of debt recovery	33%	35%	37%	40%





Provision for Impairment and Settlements

Programme dashboard as at 25 July 2016

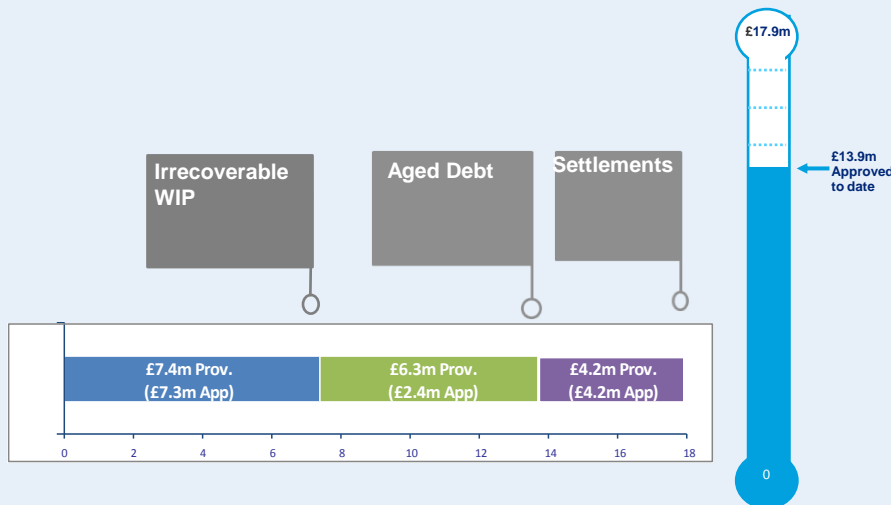


PROGRESS

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 entry systems.
- **Aged Debt (£6.3m)** – An overall collection rate of 55% is required to ensure adequacy of provision. Current recovery rate is 69%.
- **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)
£ 3,044,271

Total Deloitte (Project Joule)
£ 6,439,752

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

-Debt Recovery
£ 2,390,830

-Settlements approved
£ 4,205,943

Total £ 13,904,590

Complainant Closure Status

