

Governance, Risk and Best Value Committee

10.00am, Tuesday, 1 August 2017

Property Conservation Project Closure Review

Item number 7.4

Report number

Executive/routine

Wards

Executive summary

The legacy statutory repairs resolution projects are now close to completion. At its meeting on 22 December 2016, the Governance, Risk and Best Value Committee requested that Internal Audit conduct a project closure review to establish whether there are any lessons to be learned from the Council's handling of the Property Conservation service closure.

Internal Audit has concluded this review and identified a total of 23 lessons learned opportunities (which also include examples of good practice) that have been discussed and agreed with senior management. These cover governance and decision making, the Council's policies, and engagement with owners. The full report is included at Appendix 1.

The findings of a separate Internal Audit review of the new Edinburgh Shared Repairs Service are reported in Appendix 2. We were pleased to find that robust governance arrangements have been implemented for the new ESRS, and that the Service has embedded the lessons learned from the operational failings of the former Property Conservation service.

Links

Coalition pledges

Council outcomes

Single Outcome Agreement

Property Conservation Project Closure Review

1. Recommendations

- 1.1 Committee is requested to note the 'lessons learned' from the Property Conservation service closure set out in Appendix 1, and the findings of the Internal Audit review of the Edinburgh Shared Repairs Service described in Appendix 2.

2. Background

- 2.1 At its meeting on 22 December 2016, the Governance, Risk and Best Value Committee (GRBV) requested that Internal Audit conduct a project closure review to establish whether there are any lessons to be learned from the Council's handling of the Property Conservation service closure.
- 2.2 The project closure review did not include an investigation of the operational failings of the former Property Conservation service, or the development of the new Edinburgh Shared Repairs Service (ESRS). However, a review of the Enforcement stage of ESRS was included in the 2017/18 Internal Audit Plan and was completed in June 2017. The results of this review are included as Appendix 2.

3. Main report

Property Conservation Project Closure

- 3.1 At the request of GRBV, Internal Audit conducted a 'lessons learned' review of the projects implemented by the former Services for Communities and Corporate Governance directorates to resolve the significant problems inherited from the Property Conservation service when it was closed in April 2011.
- 3.2 The Property Conservation service closure was extremely complex. Many property owners were affected by the poor project management and service culture at the former Property Conservation service. The former Services for Communities Directorate inherited a caseload of 986 complaints, £30m unbilled work and £7.8m suspended debt to resolve.
- 3.3 Six years later, the challenges inherited from Property Conservation are largely resolved. C. £24m was billed to owners through Project Joule and the earlier

Property Conservation closure work, of which 80% has now been recovered. £13.9m was written off as unbillable work-in-progress and in settlements with owners.

- 3.4 The Property Conservation closure has cost the Council at least £8.3m in consultancy costs since 2011 with, at its height, a team of 42 seconded staff and consultants from Thomson Bethune and Deloitte working on the closure programme.
- 3.5 Internal Audit reviewed the full closure programme from the point where problems in the Property Conservation service first became apparent in 2010. At each stage, Internal Audit considered:

- programme governance and decision-making arrangements;
- the application and adequacy of Council procedures and policies; and
- the level of the Council's engagement with and communication to owners.

- 3.6 A total of 23 lessons learned were identified in relation to governance and decision making, the Council's policies, and engagement with owners. These have been discussed and agreed with senior management. The lessons learned include examples of good practice developed during the programme which should be drawn on in future, as well as areas where we feel the Council's response could have been improved.

- 3.7 The full report on this 'lessons learned' review can be found in Appendix 1.

Edinburgh Shared Repairs Service

- 3.8 A review of the ESRS was included in the 2017/18 Internal Audit Plan which was approved by GRBV in March 2017.
- 3.9 Internal Audit assessed the design and operating effectiveness of ESRS controls over project and contract management, drawing our conclusions from a review of the three projects which have so far been delivered under the new Enforcement service.
- 3.10 We were pleased to find that robust governance arrangements have been implemented for the new ESRS, and that the Service has embedded the lessons learned from the operational failings of the former Property Conservation service. We have made two low priority and one advisory recommendations for improvement.
- 3.11 The full Internal Audit report on the ESRS can be found in Appendix 2.

4. Measures of success

- 4.1 An improved response to future events with significant reputational, legal and financial repercussions as a result of lessons learned from the Property Conservation closure programme.

5. Financial impact

- 5.1 None.

6. Risk, policy, compliance and governance impact

- 6.1 Four 'lessons learned' relating to policy and governance were identified from the Property Conservation service closure programme:
- Scrutiny and challenge from elected members from 2010 onwards meant reporting was increasingly clear and decisions were transparent. As a result, there was sustained pressure on management to investigate the allegations against Property Conservation thoroughly and take decisive action to remedy the problems endemic to the Service;
 - The role of Governance, Risk and Best Value in scrutinising investigations and significant projects led by other Council committees should be clarified. This includes the flow of information to GRBV, and extent of its powers in decision-making;
 - Officers had no authority to settle with owners where they identified problems with the project and/or errors in the bill before 2013. A clear delegation of authority gives officers the ability to resolve complex complaints efficiently and at a lower cost to the Council; and
 - Officers have implemented the Council's Corporate Debt Policy to maximise recovery as they are duty bound to do. Any decision to deviate from policy for contentious matters such as legacy statutory repairs must be a political decision taken by elected members.

7. Equalities impact

- 7.1 No full ERIA is required.

8. Sustainability impact

- 8.1 None.

9. Consultation and engagement

- 9.1 Members of GRBV and the Finance and Resources Committee, property owners, and external experts were interviewed during fieldwork for the Property Conservation Project Closure review.

10. Background reading/external references

- 10.1 None.

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Links

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Appendices

Appendix 1 – Property Conservation Project Closure Review
Appendix 2 – Internal Audit review of the Edinburgh Shared Repairs Service

The City of Edinburgh Council

Internal Audit

Property Conservation: Project Closure Review
Final Report

June 2017

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This internal audit review is conducted for the City of Edinburgh Council under the terms of reference approved by the Governance, Risk and Best Value Committee in February 2017. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive summary

The former Property Conservation service effectively closed in April 2011, when Services for Communities took on management responsibility for the Service and issued a moratorium on new Property Conservation works. Services for Communities, and later Corporate Governance, inherited significant challenges with:

- 986 complaints from owners;
- 84 projects on site, with over 100 more in the pipeline in April 2011;
- Over £30 million of unbilled work;
- 11,500 historic unenforced Statutory Notices;
- 74 defects projects;
- £7.8 million suspended debt where invoices had been challenged;
- Claims from contractors for loss of profit and late payment totalling £1.6 million.

This is a 'lessons learned' review of the projects implemented by the Council to resolve these issues. It has been an extremely complex programme, with at its height a team of 42 seconded staff and consultants from Thomson Bethune and Deloitte working on the Property Conservation closure at a cost of at least £8.3 million since 2011.

The problems inherited from the service were not solely financial. Many property owners across the City were affected by the poor project management and service culture at the former Property Conservation service. There were escalating costs on statutory notices and lengthy building work which will inevitably have caused significant disruption to owners. In many cases there were concerns over the quality of work, and whether the work undertaken by the Council was necessary in the first place.

The Council has put significant resources into an independent review of unbilled work and disputed invoices so that owners do receive accurate bills for work completed within the statutory notice. However, this does not alter the fact that owners have received significant bills (in some cases as high as £45,000) for work which was completed several years earlier. As owners and elected members interviewed told us, the problems with Property Conservation have caused considerable distress to many.

6 years later, the challenges inherited from Property Conservation are largely resolved. £17.4 million was billed to owners through Project Joule, of which 82% has now been collected; all but 2 defects projects are completed and billed; payouts to contractors were limited to £0.4 million with only £0.2 million still to settle; and suspended debt has been cleared to £0.3 million.

The cost has been in excess of £22 million before considering internal costs. As well as consultant costs, the Council has written off £13.9 million to date, of which £7.4 million was unbillable Work-in-Progress, and £4.2 million relates to settlements with owners. There is still £4.5 million of debt outstanding, with cases at various stages of the collection process.

Key observations and lessons learned

It is clear to Internal Audit that the service provision by the former Property Conservation service fell below the standards that would have been expected and that the problems experienced have caused distress to owners.

Our key observations and lessons learned relating to governance and decision making, the application and adequacy of Council procedures and policies, and engagement with owners are set out below. Our detailed observations and lessons learned can be found in **Section 2**, and the Lessons Learned summary in **Appendix 1**.

Governance & Decision-Making

- There was a high level of scrutiny from elected members throughout the Property Conservation Closure Project, with regular and detailed reporting to both the Finance and Resources Committee, and the Governance, Risk and Best Value Committee. This meant there was sustained pressure on management to investigate and resolve the complaints regarding Property Conservation.
- This was a long and complex project. Programme governance and progress were reviewed at key stages

and action was taken to address 'blocks' and advance the progress: notably with the transfer of management responsibility to Services for Communities in 2011, and with the appointment of Deloitte to set up a Project Management Office in 2014.

- Authority to settle or write-off Property Conservation debt and unbilled WIP was not delegated to the Director of Services for Communities until 2013, at which time it was set at just £3,000 per project. This meant that the Resolution Team did not have the ability to correct billing errors or agree settlements with owners so 'complex' cases were put on hold.

Application and adequacy of Council procedures and policies

- As legal settlement was made on a case by case basis, there has been instances where a commercial decision was taken to settle with one owner (because the costs of and risks inherent in seeking recovery were deemed too high), and the settlement not extended to others in the building. As a result, owners in a single building may pay several different amounts for the same repairs.

We consider this to be the correct application of the Corporate Debt Policy which states that 'it is essential that all monies due to the Council are actively pursued' and also emphasizes the importance of proportionality 'in striking an appropriate balance between the potential loss of income to the Council and the costs of recovery'¹. Any decision to deviate from policy for contentious matters such as legacy statutory repairs must be a political decision taken by elected members. It cannot be made by officers.

- Accounting policies encouraged the accumulation of a large Work-in-Progress balance as income was recognised by the service as soon as the cost was incurred (and the contractor paid), but there was no impact on the Service's budget if the costs were not successfully recovered from owners.

This created the impression that Property Conservation was a successful income-generating service for the Council, but in fact, cash was not being collected.

This continued under Services for Communities when there was a focus on completing active sites and pipeline works, but 31 of the 94 projects completed were not billed until Project Joule in 2014. This impacted on the Council's cash flow and is likely to have increased costs of billing and collection.

Engagement with owners

- A general apology to owners affected by the failings of the former Property Conservation service should be considered. Apologies have been issued to specific owners following appeals to the Scottish Public Services Ombudsman.
- In future investigations or significant projects where there is likely to be a high level of public engagement, project teams should consider setting up a single point of contact to help the public navigate the Council and find the information or answers they need, as the Property Conservation closure team did in September 2014. We would also recommend defining a communications strategy to help respond to enquiries from members of the public efficiently and clearly.
- Owners interviewed as part of this review, and Elected Members and third parties speaking on their behalf, reported that they found the Council difficult to navigate and frustrating. In future investigations or significant projects where there is likely to be a high level of public engagement project teams should consider appointing an independent person to act as 'owners' advocate' and support them in their dealings with the Council.
- In a proportion of cases both the Council and owners may have benefited from the option of commercial arbitration, with costs shared between the Council and owners. This is not a recommendation to reopen Property Conservation cases which have already been closed or are in legal proceedings, but commercial arbitration should be considered as an option in future disputes.

¹ Item 7.6: Corporate Debt Policy, Policy & Strategy Committee, 2 December 2014
The City of Edinburgh Council
Internal Audit Report – Property Conservation: Project Closure Review

1. Background

Background

Sections of Central, South & North East Edinburgh have a high population density with the majority of residents in some areas living in tenement flats. The age of this accommodation ranges from 200+ years old (Old Town) to modern new build construction. A significant cohort of this accommodation was constructed in the Victorian and early Edwardian period. These buildings are now between 100 & 150 years old and as a result of weathering are requiring increasing levels of maintenance/refit to ensure that they remain in good condition as they start to approach the end of their original design lives.

Given that the majority of stairs of this vintage are not factored it has historically been difficult to arrange for any necessary common repair works to be undertaken, due to the problems inherent in securing agreement from all owners.

These circumstances were recognised in the City of Edinburgh District Council Order Confirmation Act 1991 which uniquely in Scotland gave the Council the ability to compel the undertaking of common repairs and in the absence of compliance by owners, undertake the work themselves and recover *'expense reasonably incurred in doing so'*.

The Property Conservation Service was charged with making use of this legislation to help owners reach agreement on works that required to be undertaken, or where agreement could not be reached, organising for the work to be undertaken. Where works were undertaken under Council control, owners were re-charged the costs plus an administrative fee of 15% of the total project value. This administration charge resulted in the Service being seen as an income-generating operation for the Council.

Concerns over the activities of the Service started to emerge in 2010 with owners making complaints in relation to:

- Quality of workmanship;
- Quality of materials used;
- Cost of works undertaken;
- Time taken to undertake the works;
- Necessity of works undertaken ;
- Works being undertaken outside the scope of the notice;
- Effectiveness of the contractor procurement process; and
- Contractor behaviour & probity.

A series of investigations performed by the Council, the Council's Internal Audit function, Deloitte Real Estate and Police Scotland in 2010 & 2011 established that on many projects, there was substance to at least some of these concerns. Although these investigations did not find any evidence of demonstrable illegality, they did identify evidence of unacceptable and in-appropriate behaviour by Council officials, a number of whom were subject to disciplinary action.

As a consequence of these findings, the Council launched the Resolution Panel process to review projects where complaints (which ultimately reached 986) had been made and ceased undertaking new projects unless they were 'emergency' works. Projects that were in progress were to be completed and property and construction consultants Thomson Bethune were appointed in April 2011 to assist in that process.

Owing to concerns over the progress being made by the Resolution Panel process, the Council subsequently appointed Deloitte Real Estate to review unbilled WIP (Project Joule) and take over the consideration of the validity of complaints (Project Momentum).

As part of Project Momentum, Deloitte Real Estate were requested to determine the lessons arising from the problems experienced within Property Conservation and make recommendations to inform the creation of a new Edinburgh Shared Repairs Service, which launched on 1 September 2015.

Timeline

Opening position:

- £28 million unbilled WIP relating to 800 projects
- 83 projects on site
- Over 100 'pipeline' projects
- £7.8 million suspended debt
- 11,500 unenforced historic Statutory notices

June 2010

- Elected members request a full review of the statutory notice process.
- Internal Audit report on their findings and make 18 recommendations for improvement in October 2010.

March/April 2011

- **Property Conservation is transferred to Services for Communities.**
- Deloitte's investigation into financial irregularities ('Project Solar') and review of 33 statutory repairs projects ('Project Power') begin.
- Thomson Bethune appointed to review legacy projects and develop programme for completing them.

October 2011

- **Resolution Team set up to review c.500 complaints received in the months leading up to October 2011**

March 2013

- **Deloitte appointed to verify accounts before they are billed to owners ('Project Joule')**
- £22 million unbilled WIP across 414 projects reviewed as part of Project Joule.

May 2013

- **Resolution Team completes review of 986 complaints**
- Maclay Murray Spens LLP appointed to review the 278 complex complaints where no decision had been reached (28%) and meet the complainants with a view to reaching settlements.

January 2014

- **First Project Joule invoices are issued.**

February 2014

- **Property Conservation is transferred to Corporate Governance**

June 2014

- **Deloitte contract extended to set up Project Management Office covering all workstreams ('Project Momentum')**
- Project Board; Case Reviews (legacy Project Joule); Complex Complaints (legacy MMS); Billing; Customer Services; Debt Collection; Defects Projects; development of new Shared Repairs Service

March 2015

- **Deloitte completes case reviews of 414 unbilled projects and 102 projects subject to 'complex complaints'**
- Billing and debt collection in progress

Closing position:

- £17.4 million billed to owners, of which 82% has been collected
- £4.2 million settled with owners relating to complex complaints
- The 84 projects on site in 2011 and 72 further defects project completed and billed
- Suspended debt cleared to £0.3 million

Scope and approach

The Scope of this internal audit review was to review the closure of the former Property Conservation service and the Council's response to complaints about legacy statutory repairs, and identify lessons to be learned for the future.

This includes, and is limited to, a review of:

- The completion of 'active sites' and the cessation of activities by the Property Conservation service, subsequent to the decision to close the service;
- The process of determining the recoverability of the un-billed WIP at cessation and its subsequent billing – Project Joule;
- The Council's handling of and response to complaints from owners – the Resolution Team / Panel and their subsequent replacement by Project Momentum ; and
- The management of the debt collection process and its adherence to the Council debt collection policy.

For each stage we will consider:

- Governance and decision-making arrangements;
- Application and adequacy of Council procedures and policies; and
- The level of the Council's engagement with and communication to owners.

Limitation of Scope

As part of this scope we have not reviewed (and were not expecting to) review in detail or draw conclusions on the quality of works undertaken, the validity of works undertaken or decision making on any individual properties given that Internal Audit are aware that:

- A number of properties remain subject to ongoing court proceedings and Internal Audit would not want to prejudice these proceedings; and
- Internal Audit does not have the expertise to draw any conclusions on technical construction matters.

For the full terms of reference see Appendix 1.

2. Closure of Property Conservation service

1a. The cessation of activities by the Property Conservation service

Background

The earliest indication of 'service challenges' in Property Conservation emerged in a report to the Finance and Resources Committee on 16 March 2010. This highlighted a work-in-progress balance of £28 million relating to c. 800 projects. The report observed that this had a negative effect on the Council's cash flow, as contractors were paid for building works before owners were billed. Owners could only be billed on the completion of the contract as 'there [was] no legal or statutory recourse to interim billing'.²

As a result of this, at their meeting on 24 June 2010 the Council instructed the Director of City Development (who was the director responsible for Property Conservation at that time) to 'conduct a full review of the statutory notice process, including lessons learned from recent large projects and a focus on how to involve residents in decisions about progressing works at an earlier stage'.³ The Director of City Development asked Internal Audit to carry out this review.

Internal Audit reported on their findings in October 2010, and made 18 recommendations for improvement. There is limited evidence that effective action was taken in response to these recommendations, or to address concerns raised by elected members in the previous 6 months. Indeed, activity in Property Conservation increased in 2010/11:

	2009/10	2010/11	2011/12
Number of statutory notices issued	716	890	102
Number of Statutory notices enforced	332	649	96
Number of statutory notices not yet enforced	384	241	6
Percentage of Statutory Notices enforced	46%	73%	94%
Value of contractor Payments	£18.4m	£13.9m	£7.9m

Fig.1 Number of statutory notices issued relating to non-emergency works⁴

Property Conservation was transferred to Services for Communities (SfC) in March 2011. Property Conservation work was limited to emergency work and projects already on site, and Deloitte were appointed to investigate the Property Conservation service. The Deloitte investigation took two parts:

Project Solar A forensic investigation into alleged financial irregularities in the Property Care and Property Conservation services.

Project Power A 'deep dive' review of 33 statutory repairs projects by the Deloitte Real Estate team which included site visits by chartered surveyors.

These projects ran in parallel to the police investigations into the Property Care and Property Conservation services.

² Item 20: Property Conservation Service, Finance & Resources Committee, 16 March 2010

³ Item 22: Statutory Notices, City of Edinburgh Council, 24 June 2010

⁴ Item 10: Property Conservation Service Recovery, Policy & Strategy Committee, 7 August 2012

Disciplinary action was taken against a number of staff following these investigations, though no charges were brought as a result of the police investigation into Property Conservation. Both the Deloitte and police investigations highlighted significant problems in working practices and culture within the Property Conservation service, which we have discussed in the initial Background section. 'Lessons learned' from these, and from the subsequent Project Momentum, informed the development of the new Edinburgh Shared Repairs Service and interim service provision (focussed on emergency works and active sites) from October 2011. The operational 'lessons learned' from the Property Conservation service and the development of the new Edinburgh Shared Repairs Service are not in scope for this review.

A further report was considered by the full Council on 27 October 2011. This updated members on the findings of the Deloitte investigation and actions taken and planned. It proposed a Resolution Panel to investigate c. 500 complaints logged, and sought approval from the elected members to end the 'moratorium' on Property Conservation works imposed in April 2011 which would enable the Service to progress with pipeline works where contractors had already been appointed.⁵

The Service also sought approval to issue statutory notices for new projects where strict conditions were met, but indicated that work volumes would be restricted to c. £7m per annum, a third of previous volumes. In reality, work was focussed on completing projects already on site and delivering pipeline projects. Statutory notices were not issued for new projects after April 2011.

Observations

Scrutiny by elected members

City Development was slow to recognise and address concerns about the Property Conservation service. The report to the Finance & Resources Committee in March 2010 reported a £28 million work-in-progress balance, but observed that 'it is normal for Property Conservation to be holding an unbilled value of ongoing work in its accounts'.⁶

The scale of the problems relating to the Property Conservation service was brought to light through the persistence of elected members in tabling questions at full Council meetings and thorough scrutiny of reports presented to the Council and its committees.

Lesson Learned: This demonstrates the value of elected member scrutiny in highlighting significant service failings and ensuring that they are fully investigated.

Lack of follow up of Internal Audit actions

The Internal Audit report issued in October 2010 made 18 recommendations for improvement. At that time, audit findings were not risk rated, and actions were not formally agreed with management. Management actions to address audit findings were not tracked.

There was limited evidence that effective action was taken by the Property Conservation service to address audit findings before the service was transferred to SfC in March 2011.

Lesson Learned: Actions to address audit findings are now agreed with management at the end of each audit. Implementation is tracked through monthly reporting to the Corporate Leadership Team and quarterly reporting to the Governance, Risk and Best Value committee.

New management once crisis emerged

A focussed attempt to reform the service and deal with complaints began when the service was transferred to Services for Communities in March 2011 (one year after concerns were first raised by members). At this time, a new senior management team was put in place who had had little or no prior involvement with Property

⁵ Item 8.3: Property Investigation & Service Update, City of Edinburgh Council, 27 October 2011

⁶ Item 20: Property Conservation Service, Finance & Resources Committee, 16 March 2010

Conservation and as such was sufficiently independent to acknowledge the problems in the service and take remedial action. Emergency measures were immediately put in place:

- No new projects were commissioned, unless emergency works; and
- Complaints were logged, and holding letters sent to complainants informing them that their complaint would be investigated but it was likely to take a considerable period of time due to the volume of complaints received.

SfC also acknowledged the limitations of the Council's existing team and recognised the need for external support both in the investigations (through Deloitte), and in completing projects which were on site in April 2011. Property and construction consultants Thomson Bethune were appointed to assist with this.

Lesson Learned: Transferring responsibility for the Service to another Directorate allowed a full assessment of the pervasive problems in the Property Conservation Service and decisive action to be taken to remedy them.

Governance

Reporting to the Council and its committees once SfC took over was frank and recognised the significant weaknesses in the service and the need for a fundamental redesign. SfC acknowledged the number and complexity of complaints received, and that the investigation would be slow and difficult. The estimate of the time it would take to investigate the complaints and develop a new service was very optimistic (c. 6 months) but the key issues were identified and the complexities of the task acknowledged.

We note that elected members were informed of actions taken by SfC in this period, and asked to approve key decisions, through reports to the full Council in April and October 2011. This reporting included:

- A moratorium on new Property Conservation works in April 2011;
- The interim findings of the Deloitte investigations;
- The principles of interim service delivery when a decision was taken for political reasons to resume Property Conservation works in October 2011; and
- The establishment of the Resolution Panel to review c.500 complaints received in 2010/11.

Lesson Learned: Scrutiny and challenge from elected members from 2010 onwards meant reporting was increasingly clear and decisions were transparent. As a result, there was sustained pressure on management to investigate the allegations against Property Conservation thoroughly and take decisive action to remedy the problems endemic to the Service.

1b. The completion of 'active sites'

Background

There were 83 projects on site when SfC took over the Property Conservation service in March 2011 and over 100 in the 'pipeline' where contractors had been appointed but work had not yet begun on site.

Property & construction consultants Thomson Bethune were appointed in April 2011 to review legacy projects and develop a programme for completing them. Thomson Bethune were appointed from an existing Council framework, but had had no prior involvement in the Property Conservation service.

Thomson Bethune provided senior management support to the service and helped develop interim procurement arrangements and operating procedures to address the high risk shortcomings in the Service. It was recognised

that there was a need to complete works already on site quickly, and to progress with works where contracts had already been agreed in order to reassure owners and the local building trade.

Where possible, work was completed by the initially appointed consultants and contractors. However, there were cases where contractors had gone into administration or were otherwise unable or unwilling to complete the project. As it was recognised that the contract framework had been compromised, mini-competitions were held between contractors on minor and major works contract frameworks rather than continuing with direct awards.

A Property Conservation Project Panel was set up to improve project oversight and control of costs during the project. Variances in project costs from the original estimate were considered by Panel, which included members of the new senior management team and surveyors from Thomson Bethune.

Observations

Project oversight

As reported to Council in April 2011, Property Conservation operating procedures were reviewed to improve financial control on 'active sites'. All active projects were to be reviewed to determine a current projected cost, and any variation from that was to be 'subject to a rigorous authorisation process.'⁷ This role was taken by the Property Conservation Project Panel.

A report to the full Council in October 2011 further developed the key principles for the interim operating model which included:

(v) The scope of works (except for emergencies) is properly defined before work begins and this has been communicated to owners;

vi) The Property Conservation Management Team ['PCMT'] has approved the project at initial inception and when any further notices are to be served; and

vii) Any projected increase in project costs requires approval by the PCMT and [is] the subject to communication with owners.'⁸

We saw some evidence of this on one project which was onsite from March 2011 to March 2012. SfC was responsible for Property Conservation at this time. A defect was discovered while onsite which required work outwith the original statutory notice. Chartered surveyors were appointed to produce a structural report which confirmed the need for repairs, an emergency notice was issued, and the required repairs were completed. However, during these repairs, it was found that a number of stones were in too poor a condition to be left and needed to be replaced.

There is evidence of oversight by the Property Conservation Project Panel: at their instruction a meeting was held with the owners to discuss the additional stoneworks in November 2011. All owners were contacted by the architects following the meeting to obtain approval for the additional stoneworks.

However, it is not clear that the Property Conservation Project Panel followed up on this instruction or ultimately approved the additional stoneworks. Some owners did not agree to the additional stoneworks in writing, but they were completed nonetheless. A second emergency notice was issued retrospectively in May 2012, two months after project completion.

This project was reviewed by Deloitte Real Estate ('Deloitte') as part of Project Joule. Deloitte determined that the Council could not recover £14,501 because the additional stoneworks were out of scope (by definition, the emergency notice could not cover them: there was sufficient time to consult owners, which indicates the works were not urgent), and a written mandate had not been obtained from all owners.

⁷ Item B1: Property Conservation, City of Edinburgh Council, 28 April 2011

⁸ Item 8.3: Property Investigation & Service Update, City of Edinburgh Council, 27 October 2011

Lesson Learned: the 'rigorous authorisation process' did not appear to be formalised or enforced. The additional works went ahead without documented approval from the Property Conservation Project Panel and all owners. As a result the Council was unable to recover a significant proportion of project costs from owners where there was a demonstrable enrichment (i.e. the owners had benefited from the works), and the majority of owners had agreed in writing to that work taking place.

Communication with owners

It was recognised that poor customer care was a failing of the Property Conservation service. It was positive to note that there was good communication between the Council surveyor, the architect and the owners during both 'active site' projects reviewed by Internal Audit. Responses to owner queries were prompt, and both the conservation surveyor and architect gave owners regular updates on progress during these projects which were on site in 2011/12.

Lesson Learned: none noted.

Billing

Both 'active site' projects reviewed completed in Spring/Summer 2012, but were not billed until Summer 2014 as part of Project Joule. This delay was unfortunate: as noted above communication with owners was good during the projects themselves. Owners had received reasonable estimates of cost as the project progressed (though we appreciate that in one case this was considerably more than the probable costs originally indicated to owners), and had had the opportunity to arrange appropriate financing.

By the time the project was billed 2 years later a number of properties had changed hands, financing arrangements had expired and goodwill generated through the project appears to have dissipated. Responses to owner's questions, including requests for invoices, during this period were cursory and slow. It is conceivable that delays in billing affected debt recovery on projects where charges would otherwise have been collectible.

Lesson Learned: Property Conservation did not capitalise on improved project management procedures and customer relationships by billing work promptly. This may have adversely affected collection rates.

It also meant that the Council incurred additional costs in cases where a Deloitte review and Morton Fraser involvement in debt recovery may not have been necessary had owners been billed promptly.

We further note that the significant Work-in-Progress balance was the first indicator of problems in Property Conservation in March 2010. Contractors were paid during the project, but owners could not be billed until project completion. Costs were recovered in full with a 15% surcharge for administration. This was recognised as income for the service as soon as the contractor's invoice was received. As such, there was no pressure on conservation surveyors to bill projects when completed: the income had already been credited to Property Conservation, and would not be reduced if they failed to recover the costs from owners.

This remained the case for the 'active sites'. Thomson Bethune and Property Conservation surveyors made good progress in completing the active sites, reducing the number on site from 83 in March 2011 to 42 in October 2011.⁹ However, as with the original Property Conservation service, there appears to have been a focus on completing work on site, but a failure to bill owners in complex cases. £5.6 million was billed by Property Conservation on 63 projects in 2012/13, but 31 complex projects (including the two 'active site' projects reviewed by Internal Audit) were not billed until Project Joule in 2014.

⁹ Item 8.3: Property Investigation & Service Update, City of Edinburgh Council, 27 October 2011
The City of Edinburgh Council
Internal Audit Report – Property Conservation: Project Closure Review

Lesson Learned: Accounting policies encouraged the accumulation of a large Work-in-Progress balance as income was recognised by the service as soon as the cost was incurred (and the contractor paid), but there was no impact on the Service's budget if the costs were not successfully recovered from owners.

A false financial picture was created as the Service appeared to be successfully generating income for the Council, but in fact did not collect the cash. This could be avoided through more sophisticated management accounting with automatic provisions for aged WIP and debt being put in place.

This continued under SfC when there was a focus on completing active sites and pipeline works, but work completed was not always billed until Project Joule in 2014. This adversely impacted on the Council's cash flow and is likely to have increased costs of billing and debt collection.

1c. Defects work

Background

A contract was awarded to Thomson Bethune in January 2014 to project manage the remedial works programme ('defects work'). This was a direct award with the approval of the Finance & Resources Committee on the grounds that Thomson Bethune were considered the sole supplier able to deliver the contract due to their work supporting the Property Conservation service since 2011 (see **Section 1b**).¹⁰

'Defects work' was site work to complete and/or remedy projects which had been closed under the former Property Conservation service, but which had not yet been billed to owners or which had been the subject of a complaint about the quality of work. The Council cannot reclaim the cost of defects work from owners, but equally, could not bill owners the original project cost until the project had been completed satisfactorily.

74 completed projects were returned to site as defects work. These were identified through Thomson Bethune's review of project files, complaints to the Property Conservation service and Deloitte's Project Joule. Thomson Bethune managed a 'quick quotes' tender process to appoint new contractors, and acted as contract manager for these sites. All but two defects projects are now complete, with the final two currently on site.

Observations

The defects work cost the Council £1.4 million, which cannot be recovered from owners. The defects work stream was considered a success by the service, with procurement exercises completed to appoint new contractors for all but 2 projects. The projects were managed to completion by a combined Thomson Bethune and Council team and all 72 completed projects have now been billed to owners.

By 31 January 2017, all invoices relating to 43 of the 72 completed projects had been settled or otherwise closed, with 22 settled before reaching debt recovery through Morton Fraser (see **Section 4**).

Lesson Learned: None noted.

¹⁰ Item 7.5: Property Conservation Surveying Support, Finance & Resources Committee, 16 January 2014
The City of Edinburgh Council
Internal Audit Report – Property Conservation: Project Closure Review

1d. Contractor claims

Background

The moratorium on Property Conservation projects and publicity around service failures led to 38 claims from contractors against the Council. Claims predominantly related to loss of income and late payments.

Claims were assessed and defended by a combined Thomson Bethune and Council team. The Council paid out £0.4m on 11 claims. This is 18% of the £1.9m claimed by contractors (builders and tradesmen) and consultants (architects, surveyors and project managers). Three claims totalling £0.2m are still live, but it is not anticipated that the Council will be required to pay the full amount claimed: the highest settlement to date has been 70% of the amount claimed by the contractor.

The Council also considered whether to pursue claims against contractors and/or consultants where it was considered that costs were unrecoverable from owners. Construction consultants Turner & Townsend were appointed to conduct a review of 5 cases with irrecoverable sums totalling £1.3m, and Brodies LLP were appointed to provide a legal review of the risks to recovery.

It was determined that the possibility of recovering losses through claims against contractors was limited as there was no breach of contract by contractors: contractors undertook work on the instruction of the consultant, and that work was authorised and certified by the consultant.

The barriers to making successful claims were reported to the Finance & Resources Committee in May 2016, these were:

- 1) The cost of claims considered against the chances and potential value of success;
- 2) Prescription rules: retrospective claims may be legally timed out;
- 3) Departures from obligations may not be sufficiently robust as to directly cause loss;
- 4) Consultants may hold better information than the Council that will allow them to better defend any case; and
- 5) Claims are retrospective and may lack credibility.

As a result, it was recommended to the Finance & Resources Committee that claims against contractors and consultants for irrecoverable sums should not be pursued.¹¹

Observations

Certification of works

The primary reason it was decided not to pursue claims against consultants used by the Property Conservation service was that the 5 year period in which the Council could have brought such a claim may have expired. Legal advice held that this began at the point where the Council certified payment to the contractor: the point at which it could be argued they should have been aware of any breach in performance obligations.

This highlights the importance of quality control during a project. There was a lack of control over payments to contractors in the Property Conservation service which has been highlighted in earlier reviews of the service: there was no authorisation protocol, and payments were made with no evidence that work had been completed to an acceptable standard.

The report to the Finance & Resources Committee in May 2016 offers the following lessons learned to be adopted by the new Edinburgh Shared Repairs Service:

'i) The inclusion in contracts for the provision of records of vouching to be provided by the consultants to the Council prior to billing.

¹¹ Item B1.1: Property Conservation Claims Recovery, Finance & Resources Committee, 12 May 2016
The City of Edinburgh Council
Internal Audit Report – Property Conservation: Project Closure Review

ii) The awareness and appreciation by consultants of the Council's limits in relation to the recovery of costs through the legislation.

iii) The Council are satisfied that the consultant is aware of his obligations under the building contract conditions in relation to contractual claims submitted by contractors, particularly the requirement for supporting documents in relation to loss and expense claims.¹²

Lesson Learned: Quality Assurance processes have been built into the new Edinburgh Shared Repairs Service which include site visits, scrutiny and authorisation of stage payments, and retention from final accounts.

2. The process of determining the recoverability of the un-billed WIP at cessation and its subsequent billing – Project Joule

Background

Early billing

In March 2010, Property Conservation reported a Work-in-Progress ('unbilled WIP') balance of c. £28 million.¹³ As well as genuine work in progress, this included projects which were complete but which had not been billed. Thomson Bethune were appointed when SfC took over in April 2011 to review project files and conduct site visits to close final accounts and identify any defects work which needed to be completed before the project was billed.

Thomson Bethune were charged with obtaining final accounts for projects sitting as unbilled WIP so the Property Conservation finance team could bill owners. Thomson Bethune surveyors worked alongside Council surveyors to do this. A project completion checklist was introduced to encourage project managers to provide Thomson Bethune with the information they needed to accurately assess the value of work completed.

Some progress was made in 2012/13, and the unbilled WIP balance was reduced by £5m. However, the suspense account grew when: bills were contested by owners, a complaint was received relating to a project, the invoice was suspended. The reduction in unbilled WIP was also a net figure: the finance team billed c. £8m on the more straight forward cases but, as we have seen ('Billing'), active sites completed in 2011/12 and 2012/13 were not often billed immediately. £5.3m was billed on 63 cases, while the remaining 31 were billed under Project Joule in 2014.

This left a debt balance of £35.9m in March 2013:

	31/05/2012	31/03/2013	Change (£)	Change (%)
Unbilled Work	26,762,986	21,988,661	(4,774,325)	(18%)
15% Admin Fee	4,014,448	3,298,299	(716,149)	(18%)
Unpaid Invoices	8,855,403	10,592,170	1,736,767	20%
Total Outstanding Debt	39,632,837	35,879,130	(3,753,707)	(9%)

Fig.2 Debt at March 2013 (Internal Audit report RS1230)

Project Joule

Deloitte Real Estate ('Deloitte') was appointed in March 2013 to independently verify accounts before they were billed out to owners. This appointment was subject to competitive tender between suppliers on the Government Procurement Services Multi-Disciplinary Consultancy Framework and was approved by the Finance & Resources Committee at their meeting on 21 March 2013. Deloitte achieved the highest score on both quality and price.¹⁴

£22m unbilled WIP across 414 projects formed the Project Joule workload. These were assessed against 3 key questions:

- Was there a valid statutory notice?
- Was the cost reasonable?
- Are works complete, and completed to a satisfactory standard?

Deloitte developed a suite of over 100 questions to enable them to assess the value that could and should be billed consistently across the projects. These became known as the 'Deloitte Principles'. They were refined through an initial in-depth review of a sample of 10 projects, and were developed in consultation with the Council's legal team, Maclay Murray Spens LLP (who were involved in complaints resolution at that time), Brodies LLP, and Jonathon

¹³ Item 20: Property Conservation Service, Finance & Resources Committee, 16 March 2010

¹⁴ Item 8.9: Property Conservation Financial Recovery, Finance & Resources Committee, 21 March 2013

Lake QC as legal counsel. The fundamental point of reference was the 1991 Confirmation Act: legal advice was taken to determine how it should be interpreted, and what could and could not be recovered under the Act.

Whilst elected members were not asked to approve the 'Deloitte Principles', they were discussed with the Convenor and Vice-Convenor of the Finance & Resources Committee in private briefings. At a meeting on 31 October 2013, members of the Finance & Resources Committee were briefed on the billing and debt recovery process and asked to agree 'that the cost of work found not to be recoverable under the City of Edinburgh District Council Order Confirmation Act 1991 (the "1991 Act") should not be billed to owners'.¹⁵ This was the core principle of Project Joule and all subsequent billing. The first 'Project Joule' bills were issued to owners in January 2014.

Deloitte reviewers used 4 key sources of information to assess the amount to be billed:

- Hard copy project files;
- Information held on the Property Conservation shared drive;
- The Oracle and Visa systems to verify the amount paid to contractors; and
- The Property Conservation address book for details of ownership and share allocation.

Physical surveys of sites were not conducted.

A Project Board was set up to oversee Project Joule. This was attended by Deloitte and senior council officers. A detailed report which had been through three internal quality assurance checks was submitted for each project, with recommendations of the amount to be billed, and explanations for sums which should not be recovered.

The Director of Services for Communities was initially authorised to write off up to £3,000 per project. Responsibility for legacy statutory repairs was transferred to the Director of Corporate Governance in February 2014, and in June 2014 delegated authority was given to the Director of Corporate Governance to write-off unbilled sums and approve and pay settlements, compensation or refunds up to the value of £100,000 per project.

Write-offs over £100,000 on a single project were approved by the Finance & Resource Committee.

A new billing process was developed for Project Joule in consultation with the Communications service, recognising that the programme would have a direct impact on a significant number of property owners. There was a three-step approach to billing:

1) A notification issued to owners reminding them of the statutory notice and to inform them that Deloitte had completed an independent assessment of the works carried out to their property. Owners were notified that they would receive an 'end of works statement' within a few weeks followed by a bill.

2) An end of works statement followed one week later. The end of works statement set out the final account per statutory notice after Deloitte's adjustment, the cost per share, and the cost per share including the 15% management fee. It did not indicate how much had been written off the bill.

3) Invoices were issued two weeks after the end of works statement.

The cost of Deloitte's Project Joule was borne by the Council and was not passed on to owners.

Observations

Authority to write off contested amounts

Three of the 6 projects we reviewed were assessed by Thomson Bethune in this period, but ultimately were not billed until Project Joule because of difficulties such as unidentifiable 'day works' charges or disputes over the allocation of shares. Deloitte deducted significant amounts from the contractors' Final Account before billing owners: in one case reviewed, £439k (40%) was deducted.

¹⁵ B1.1: Property Conservation Resolution of Financial Issues, Finance & Resources Committee, 31 October 2013
The City of Edinburgh Council
Internal Audit Report – Property Conservation: Project Closure Review

These were frequently issues which had been identified by Thomson Bethune: where no statutory notice had been issued for example, or there was not an adequate breakdown of a 'day works' charge. However, these cases were put on hold for investigation. Officers did not have the authority, or the will, to write off charges which could not be substantiated. As a result, the project was not billed and no monies were recovered.

Lesson Learned: An acceptance that losses would be sustained, and a mandate to write off significant sums were required before billing could progress. Until the Project Joule Project Panel was given that authority, with a bad debt provision of £17.9m, limited progress was made in billing legacy Property Conservation projects.

Appointment of Thomson Bethune

Thomson Bethune were originally appointed to the Council's Building Surveying Services contract framework (2011), and were later instructed to project manage the remedial works programme as a 'direct award (2014)'. Thomson Bethune never completed a formal tender exercise to deliver the Property Conservation closure project for the Council.

The support provided by Thomson Bethune in progressing key Property Conservation work streams in the period 2011-2014 was crucial. It is recognised by the Service that they were proactive project managers and were successful in completing active sites and defects work. Their file reviews and site visits for unbilled WIP laid the groundwork for Deloitte's Project Joule.

However, Thomson Bethune worked in partnership with Property Conservation staff in a combined team. They were primarily there to supplement internal resources. There were a number of different work streams in this period (active sites, investigations, Resolution, billing) but they were not treated as a significant programme and managed as such. A review carried out by the Director of Corporate Governance and reported to the Finance & Resources Committee in 2014 found that there was little communication between the work streams and a fragmented approach to the Property Conservation closure.¹⁶

Lesson Learned: It was apparent that this was a significant programme from 2011, but it was not treated as such. The Property Conservation closure programme would have benefitted from a project management structure providing oversight and governance across all work streams.

The Director of Corporate Governance also observed that the Service was struggling with significant pressure on resources. This is apparent if we compare progress made between 2011 and 2013, and between 2013 and 2015 when Deloitte became involved. Deloitte had the capacity available to be able complete the detailed review of a significant number of complaints the project required, and the independence and reputation to progress the project in a potentially difficult political environment.

Lesson Learned: While it was sensible to bring in external support at an early stage of the programme, a tender exercise to identify a provider with the capacity and experience to deliver the full programme efficiently would have been beneficial once the extent of work required became clear in 2011.

Deloitte contract

A number of interviewees expressed the view that Deloitte could not be considered independent given that they were appointed and paid by the Council, and 'set their own scope'.

Project Joule did emerge from the earlier Project Power as a recommended work stream to review unbilled WIP. However, Project Joule was awarded as a separate contract subject to competitive tender. Council officers developed the invitation to tender.

¹⁶ Item 7.2: Property Conservation Complaints Resolution, Finance & Resources Committee, 5 June 2014
The City of Edinburgh Council
Internal Audit Report – Property Conservation: Project Closure Review

Deloitte, in consultation with the Council, developed the scope of the project and the principles or assumptions according to what work could be billed under the 1991 Confirmation Act. External law firms were consulted in preparing the 'Deloitte principles'. The Finance & Resources Committee agreed to the application of the core principle that 'the cost of work found not to be recoverable under the [1991 Confirmation Act] should not be billed to owners', and endorsed the three stage approach to billing and debt recovery at their meeting on 31 October 2013.¹⁷ Members were reminded of the principles and the assumptions used in assessing final accounts each time they were asked to approve the write off of unrecoverable WIP.

Deloitte reported when interviewed that they had never come under pressure from senior management to recommend recovery of sums they had assessed as unrecoverable. Their fee was a standard rate per project and was not contingent on billing or recovery rates.

We found no evidence that Deloitte's independence was compromised during Project Joule or Project Momentum. Ultimately, Deloitte recommended that unbilled WIP to the value of £6.4 million should be written off. This is a significant sum which we would suggest is an indicator that Deloitte were able to conduct an independent assessment of unbilled projects without undue influence from management.

Lesson Learned: None noted.

'Desktop' Review of Projects

Project Joule was a desktop review of available project documentation. The primary sources of evidence were hard copy project files (often incomplete), documents on the Property Conservation shared drive, Council finance systems (Visa and Oracle) and the Property Conservation address book.

For complex projects where key documentation was missing, there was evidence that Deloitte (where possible) held face-to-face meetings with the original project consultants and obtained missing documentation directly from them.

The project reports produced by Deloitte were highly detailed with clear reasoning for their recommendations. There was evidence that their review of project files was thorough.

In our view, a desktop review was a reasonable approach to this exercise – and perhaps the only feasible approach given the volume of projects to view and bill, and the length of time since many projects were completed. It may not be possible to verify the need for a statutory notice by a physical inspection 10 years after the notice was originally issued, for example.

This approach allowed Deloitte to progress through 414 project files, and the Service to invoice owners £17.6 million, with £6.4 million written off.

Lesson Learned: None noted.

Challenge to Deloitte recommendations

Project Joule billing processes '[were] based on the understanding that the bill issued is a final one in that the Council is satisfied that all bills which result from the Deloitte work are correct. The Council will not be in a position to re-investigate any aspects of work based on owner's enquiries that are received following the issue of bills (other than in exceptional circumstances).'¹⁸

Assessment of a project could only be re-opened if '*previously unavailable information were to come to light*'. This led to frustration for owners who submitted questions, reports and evidence either themselves or through an intermediary.

¹⁷ B1.1: Property Conservation Financial Recovery, Finance & Resources Committee, 31 October 2013

¹⁸ B1.1: Property Conservation Financial Recovery, Finance & Resources Committee, 31 October 2013

We obtained a number of reports and questions submitted by owners and their representatives directly from owners, from elected members, and from Property Conservation files. In each case we were able to confirm that the report or question had been considered by either Deloitte or by a Property Conservation senior surveyor (who had not been involved in Property Conservation before 2013). However, we note that:

- Responses to owners and their representatives could be read on occasion as formulaic and discouraging, for example 'costs invoiced to owners have been based on an independent assessment of this project and the associated costs by Deloitte Real Estate. The Council will stand by their findings and have nothing further to add on this matter.'
- In many cases, challenges to bills came from surveyors who represented a large number of owners affected by Property Conservation. The Council responded in these cases to the surveyor, not the owner. We are unable to confirm that the Council's full responses reached owners.
- Council officers were engaged in lengthy written correspondence with these surveyors regarding multiple properties. They found the quality of reports and evidence submitted was variable.
- In other cases, the case had already reached litigation and the Council was only able to respond to owners through lawyers.

Lesson Learned: Surveyors and lawyers acting on behalf of groups of owners played a significant role in the Property Conservation Closure Project in generating and sustaining action by owners, and in their communications with the Council on behalf of owners.

In future investigations and significant projects, third parties acting on behalf of owners and community activists should be considered as key stakeholders in the communications strategy and project plans.

Governance and oversight

Oversight of the Project Joule billing process by both senior management and elected members was strong. There were clear levels of delegated authority for writing off unrecoverable amounts and reaching settlements, and members of both the Project Board and the Finance & Resources Committee received both information about the principles and assumptions used and detailed reports on individual projects.

However, members of both the Finance & Resources Committee and the Governance, Risk & Best Value Committee ('GRBV') acknowledged some difficulties in the relationship between the two committees. The Finance & Resources Committee is responsible for the Council's revenue and capital budgets, and the Council's expenditure and budget policy. They set policy on Property Conservation closure and resolution. There was a sense from owners and from some members of GRBV that their primary aim was to maximise the amount that could be recovered as opposed to achieving a 'fair' solution.

The GRBV was responsible for scrutiny. However, members of both Committees noted that there was a disconnect in the feedback loop back to Finance & Resources: it was not clear what powers the GRBV had to make recommendations or act on that scrutiny. Members of the Finance & Resources Committee also observed that members of GRBV did not always seem to be aware of the decisions made by Finance & Resources Committee or reports that committee had received. We note that much reporting to the Finance & Resources Committee on Property Conservation was by 'B' agenda: some members of the GRBV may not have had sight of those reports.

Lesson Learned: Clarify role of Governance, Risk & Best Value in scrutinising investigations and significant projects led by other Council committees including flow of information to GRBV, and extent of its powers in decision-making.

3. The Council's handling of and response to complaints from owners – the Resolution Team/Panel and their subsequent replacement by Project Momentum

Background

Resolution Panel

With increasing publicity surrounding the investigations into Property Conservation, complaints from owners mounted in 2010-11. By October 2011 the Council had received over 500 complaints.¹⁹

The Resolution Team was set up to review and respond to these complaints. They investigated complaints received from owners and reported to the Resolution Panel, which was chaired by the Head of Housing and Regeneration. The Head of Housing and Regeneration had had no previous involvement in Property Conservation.

The Resolution Panel made a decision on whether the complaint was upheld or not, and whether any further action was required. They did not have the authority to settle with owners or write down unbilled amounts.

If the owner was dissatisfied with their response, they could appeal to the Director of Services for Communities. The Director either upheld the Resolution Panel's decision, referred the complaint back to the Resolution Team for further investigation, or put the complaint on hold (67 complaints).

Finally, owners could refer their complaint to the Scottish Public Services Ombudsman.

The Resolution Panel reviewed 986 complaints regarding 607 projects between October 2011 and December 2012.²⁰

Complaints considered by Resolution Panel	986	100%
Stage 1: decision by Resolution Panel	708	72%
Complex cases: no decision reached	278	28%
Stage 2: Appeal to Director of SfC after Stage 1	137	14%
Resolution Panel decision upheld	65	47%
Referred back to Stage 1	5	4%
Decision pending	67	49%
Referred to Scottish Public Services Ombudsman after Stage 2	10	1%
Upheld	0	0%
Upheld in part	4	40%
Not upheld	6	60%

Fig.3. Complaints considered by the Resolution Panel

278 complaints, concerning 129 properties, were considered complex, and no decision was reached. These cases were referred to Maclay Murray Spens LLP (MMS) for legal advice. MMS were asked to engage directly with complainants and set up an 'informal meeting [with complainants] to listen to their concerns and obtain information about any losses they may have suffered' with a view to reaching a settlement. It was envisaged that if agreement

¹⁹ Item 8.3: Property Investigation & Service Update, City of Edinburgh Council, 27 October 2011

²⁰ Item 7.2: Property Conservation Complaints Resolution, Finance & Resources Committee, 20 March 2014

could not be reached with the complainant, then both parties would have the option to proceed to commercial mediation. The fees for this would be split between the Council and the complainant.²¹

This approach ran as a pilot in the latter half of 2013. It did not continue beyond the pilot, and no cases were brought to commercial mediation or arbitration. As reported to Finance & Resources Committee in June 2014, it was felt that the Resolution process as a whole took many months to complete, and the meetings between MMS and owners did not get to the heart of owners' complaints and appeared to mark the beginning of long correspondence between the two parties.²²

This was echoed by those involved in the MMS process: owners had expected the meetings to be an opportunity to discuss their complaint, but instead reported that they felt obliged to state and defend a claim against the Council in a legal setting. It was not the opportunity for discussion and mediation they had expected.

Project Momentum

The Property Conservation Closure Project as a whole was reviewed by the Director of Corporate Governance in Spring 2014. His findings were reported to the Finance & Resources Committee in June 2014. He found that there was a fragmented approach with the various work streams working in silos: there was little communication between the Resolution Team, the Thomson & Bethune active sites and defects team, and the Deloitte unbilled WIP reviewers. The Service was struggling with significant pressure on resources and progress was slow: complex complaints identified by the Resolution Team in 2011 were still on hold.

Deloitte Real Estate were appointed to begin 'Project Momentum'. This set up a Project Management Office to manage all streams of the Property Conservation closure, including the development of the new Shared Repairs Service. The review process applied to Project Joule was extended to complex complaints as part of Project Momentum. The final accounts for these projects were reviewed according to the established 'Deloitte Principles'. Credit notes and refunds were issued where it was considered that owners had overpaid previously.

A Project Board chaired by the Chief Executive was also set up to improve governance over all work streams.

Customer Services

The Property Conservation Closure team recorded 3,367 customer contacts and 595 Freedom of Information ('Fol') requests between January 2014 and March 2017. Data is incomplete before 2014.

Customer contacts included frontline enquiries (e.g. queries about when a bill would be received), elected member and senior officer enquiries and complaints. Many contacts from owners after Project Joule also came as Fol requests. Owners and independent surveyors requested extensive documentation relating to their project including contract award information, contractor bills, quotes, final and interim accounts, and the Deloitte Project Joule assessments.

Until September 2014, customers were expected to contact the relevant officer directly: questions or complaints about billing would go directly to the billing team, Freedom of Information requests were processed by the Information Rights team. Customer contacts were not routinely recorded, tracked and monitored.

Under Project Momentum, a single customer service phone number and email address were set up. Enquiries would be directed to the correct officer internally, with responses given by frontline customer service advisors where possible. The Customer Service team, Fol officers, billing and debt collection were all located in the same office to ease communication, and customer contacts were recorded, tracked and monitored.

²¹ Item B1.2: Complaints Resolution Phase 2, Finance & Budget Property Sub-Committee, 31 May 2013

²² Item 7.2: Property Conservation Complaints Resolution, Finance & Resources Committee, 5 June 2014

	January – October 2014	November 2014 – March 2017	Target
Enquiries	82%	88%	90%
Stage 1 Complaints	76%	83%	90%
Stage 2 Complaints	64%	82%	90%
Freedom of Information requests	87.7%	98%	100%

Fig.4. Percentage of customer contacts closed by target date

Observations

Flexibility of approach

Deloitte's contract was extended in 2014 to encompass project management of all work streams and the development of the new Shared Repairs Service. This was a direct result of the Director of Corporate Governance's review of the Property Conservation Closure Project in June 2014.

Lesson Learned: The Property Conservation Closure Project benefited from a critical review of project progress and a willingness to act on its results and seek external support. This meant that greater progress could be made in 2014 and 2015.

Authority to resolve owner's complaints

In investigating owners' complaints, the Resolution Team identified issues (such as a significant sum billed for 'day works') which were later written off by Deloitte. As with the Thomson Bethune review of unbilled work, where issues were identified the Resolution Panel put bills 'on hold' and returned the matter to the Resolution Team for investigation.

In 2013, delegated authority was granted to the Director of Services for Communities to write-off or settle amounts relating to disputed Property Conservation Projects up to the value of £3,000.²³ Before that date, officers had no authority to settle with owners where they identified problems with the project and/or errors in the bill. This contributed to the accumulation of 278 'complex cases' handed to MMS in 2013. The legal and professional fees incurred in settling these cases added considerably to the amounts written off, and may have been avoided if officers had been given delegated authority to decide on the appropriate treatment early on.

Lesson Learned: A clear delegation of authority gives officers the ability to resolve complex complaints efficiently and at a lower cost to the Council.

Tracking decisions of the Resolution Panel

We reviewed three cases where complaints had been considered by the Resolution Panel. In two cases, the Resolution Panel recommended that the Resolution Team write to owners to apologize or respond to their complaints. We found no evidence that those letters were sent to the owners. In the third case, a response was sent to the owner, but two years after the original complaint was received.

Lesson Learned: The decisions of project boards should be tracked to ensure that timely action is taken.

²³ Item B1.1: Property Conservation Resolution of Outstanding Financial Issues, Finance & Resources Committee, 31 October 2013

Customer Services

Owners interviewed as part of this review, and Elected Members and third parties speaking on their behalf, reported that they found the Council difficult to navigate and frustrating.

This appeared to be alleviated to some extent when Project Momentum was introduced, as the performance statistics in Fig.4 show. A multi-disciplinary Customer Services team was established to deal with customer enquiries, FoI requests and complaints, with a single point of contact for owners. There was evidence of increased collaboration and consultation between the teams from 2014 onwards.

Lesson Learned: In future investigations or significant projects where there is likely to be a high level of public engagement, project teams may wish to consider setting up a single point of contact to help the public navigate the Council and find the information or answers they need.

We would also recommend defining a communications strategy to help respond to enquiries from members of the public efficiently and clearly.

Owners' Advocate

Independent surveyors working on behalf of groups of owners played a significant role in the Property Conservation closure programme. They represented owners in their interactions with Council officers, found support from elected members, and engaged with the local and national media. Owners and members with links to these surveyors said they used them because they felt the surveyors 'understood the problems'. They expressed the view that the Council (and particularly the Finance & Resources Committee) was intent on recovering as much money from owners as possible, and found that elected members willing to help them individually were 'outside the process' and as such had limited powers to intervene.

It was unclear in some cases how much the independent surveyors were able to help these owners. They appeared to take a different approach to the Council to closing cases: the Council was clear that new evidence was required before a bill could be re-assessed, but surveyor's reports relating to the 6 projects we considered proposed blanket deductions or requested detail of sums already written off by Deloitte. These would not constitute 'new evidence' which would allow the Council to reopen a case under the conditions set by the Finance & Resources Committee.

We note that the Council responded directly to the surveyors in these cases. We do not know what information was passed on to owners, as this would not be held in the Council's records. There have been allegations that one prominent surveyor working on the Property Conservation cases did not produce the reports paid for by owners.

It may be that owners and the Council would have been able to reach a settlement sooner if communication had been supported by someone familiar with the Council and trusted by both sides. Individual elected members did support owners and were able to facilitate meetings between the Council and owners, but their involvement was necessarily ad hoc.

Lesson Learned: In future investigations or significant projects where there is likely to be a high level of both controversy and public engagement, project teams may wish to consider appointing an independent person to act as an 'owners' advocate' and support them in their dealings with the Council.

We would also recommend defining a communications strategy to help respond to enquiries from members of the public efficiently and clearly.

Apology

A number of those we interviewed told us that they had never received an apology from the Council for the well-documented failings of the former Property Conservation service.

Apologies have been issued to owners on individual cases through the complaints process or where the Scottish Public Services Ombudsman has found against the Council when a complaint reached the final appeal.

Lesson Learned: A general apology to owners affected by the failings of the former Property Conservation service should be considered.

4. The management of the debt collection process and its adherence to the Council debt collection policy

Background

Debt recovery on legacy statutory repairs invoices followed the Corporate Debt Policy and usual Accounts Receivable procedures. Debt falls due 28 days after the invoice is issued to owners. At that point a reminder is automatically sent to the owner, followed by a final notice 28 days after that. The debt is passed to Morton Fraser LLP for collection if the debt is not paid when the final notice is issued, 56 days after the original bill was sent.

Morton Fraser manage the debt recovery process from that point on, including agreeing and monitoring payment plans, arranging voluntary inhibitions on properties, negotiating settlements and proceeding to Court action. The Council retains the authority to decide on action to be taken at each stage: whether to accept or decline settlements, proceed to Court action, or write off debt when recovery options had been exhausted. This authority has not been delegated to Morton Fraser.

Whilst the Corporate Debt Policy was followed for legacy statutory repairs debt, a number of changes were made to the policy in order to improve collection rates and in recognition of the fact that some owners had received very high bills which they may not be able to pay over the maximum 4-year payment plan.

- A three-month interest free payment plan could be issued to all owners in receipt of a statutory notice;
- The maximum duration of a payment plan was extended to 10 years where owners owed more than £10,000;
- The interest rate was lowered from the Court-approved 8% per annum to 6% per annum; and
- Owners without the means to repay statutory repairs debt could be offered the option of entering into a voluntary inhibition on their property.

These changes were proposed by the Finance & Resources Committee and approved by the Corporate Strategy and Policy Committee in December 2014.²⁴

£17.6 million was billed to owners as part of Project Joule. By the end of January 2016, 82% had been collected. £7.3 million from Project Joule, Project Momentum and legacy debt had been passed to Morton Fraser for recovery. At the end of January 2016, £2.8 million had been collected, and settlements or payment arrangements had been agreed for a further £3.2 million.

Observations

Equal shares

There has been debate over the concept of 'equal shares' as applied to legacy statutory repairs. Under the 1991 Confirmation Act the cost of work is split equally between the 'units' (usually flats) affected. Legacy statutory repairs, including those billed through Project Joule, were billed on that basis. Where deductions were identified on projects which had been billed previously during Project Momentum, credit notes and refunds were offered to all owners.

However, there are occasions when a legal settlement has been reached with some owners affected by a single statutory notice but not others. In other cases, for example when one owner cannot be traced or is in insolvency

²⁴ Item 7.6: Corporate Debt Policy - Amendments to Sundry Debt Policy, Corporate Policy and Strategy Committee, 2 December 2014

proceedings, the debt recovery process has been exhausted and a decision is taken to write off the amount due from that owner. In both scenarios, owners in a single building may pay several different amounts for the same repairs.

A number of those affected by Property Conservation argue that this is not 'fair', and that all other owners should receive a credit note or refund so that all pay the same amount.

However, this treatment does align to the principles of the Corporate Debt Policy, which is within the control of elected members.

The Council's Corporate Debt Policy in its first paragraph states that 'Customers, citizens and businesses within Edinburgh have a responsibility to pay for the services they receive and the charges and rents they are liable for. It is essential that all monies due to the Council are actively pursued and this document sets out the general debt principles to be applied in doing so.'

The Policy also emphasizes the importance of proportionality: 'striking an appropriate balance between the potential loss of income to the Council and the costs of recovery'.

These principles are applied both where the Council reaches a settlement with an owner and where a debt is written off. In neither case does the Council admit technical fault or an inaccuracy in the bill: it is a commercial decision to settle or to write off that debt because the legal risk and the costs of recovery, whether financial or reputational, are too high.

There is a clear delegation of authority to settle with owners and write off statutory repairs debt. The Director of Corporate Governance has authority to offer and accept settlements or write off debt up to the value of £100,000 per project (and can sub-delegate that authority as appropriate). Any settlements or write offs above that value must be approved by the Finance & Resources Committee. All settlements and write offs below £100,000 per project are reported to the Finance & Resource Committee for information.

Lesson Learned: Officers have implemented the Council's Corporate Debt Policy to maximise recovery as they are duty bound to do. Any decision to deviate from policy for contentious matters such as legacy statutory repairs must be a political decision taken by elected members. It cannot be made by officers.

'On hold' debt

Project Joule was an effective means of reviewing and billing a large volume of historic projects. The collection rate on Project Joule is high at 82% especially given the sensitivities and controversy surrounding Property Conservation. Significant process has also been made in clearing legacy suspended debt.

However, at the end of January 2017 there was still £4.5 million of outstanding debt. This included Project Joule, Project Momentum and legacy suspended debt. Of these, 42 cases totalling £0.7 million were recorded on the Morton Fraser status report as being 'on hold' or 'sisted for investigation'.

Some of these cases are on hold while it is decided whether to proceed with litigation. In other cases, however, there is either no indication of why the case is on hold, or the last update was a note in 2015 or early 2016 indicating that there is 'no Deloitte review/Project Joule' or that a surveyor's report is expected from owners.

Lesson Learned: We suggest that a review of cases which are currently on hold should be carried out to determine whether a legal or technical review is required, and whether further action can and should be taken to recover the debt.

Arbitration

A comment made frequently in our interviews with owners and others affected by Property Conservation was that the Council was 'aggressive' in its pursuit of legacy statutory repairs debt, and quick to take legal action.

We recognise that with a project of this nature, and particularly given well-publicised problems in Property Conservation and large debts contested, there will be a small cohort of owners determined to contest bills up to and including Court action 'on principle' and/or in an attempt to avoid a genuine liability.

However, this has been an emotive and drawn-out saga for many owners who wish to pay for repairs at a 'fair' rate but disagree with the Council on the calculations and facts of their bill. In such cases, commercial arbitration may have enabled a settlement to be reached more quickly and a lower cost to the Council. This option was considered in 2013, but no cases reached arbitration as dispute resolution with Maclay Murray Spens LLP was abandoned after the pilot and it was decided by the Council to apply the Project Joule methodology consistently to all projects including those where there was an unresolved complaint.

Lesson Learned: In a proportion of cases both the Council and owners may have benefited from the option of commercial arbitration, with costs shared between the Council and owners.

This is not a recommendation to reopen Property Conservation cases which have already been closed or are in legal proceedings, but commercial arbitration should be considered as an option in future disputes.

3. Compilation of this report

This report has been complex to prepare and involved interviewing multiple individuals and considering the documentation that has survived.

The co-operation of the following individuals was vital in preparing this report and their time spent assisting this investigation was much appreciated.

Cllr Alasdair Rankin (Convenor, Finance & Resources Committee)
Cllr Bill Cook (Vice Convenor, Finance & Resources Committee)
Cllr Jeremy Balfour (former Convenor, Governance, Risk & Best Value Committee)
Cllr Melanie Main (Member, Governance, Risk & Best Value Committee)
Cllr Stefan Tymkewez (Member, Governance, Risk & Best Value Committee)
Fiona Powell (Owner)
Anonymous Owner
Philip Lowe (Quantity Surveyor acting for owners)
Joby Howard (Deloitte Real Estate)
Peter Wilkinson (Deloitte Real Estate)
Maggie Moodie (Morton Fraser LLP)
Rory Alexander (Morton Fraser LLP)
Andrew Field (Head of Shared Repairs Service)
Jackie Timmons (Edinburgh Shared Repairs Service Manager)
Cicely Poulton (Records Management Officer, Edinburgh Shared Repairs Service)
Robert Main (Financial Accountant, Edinburgh Shared Repairs Service)
Elaine Dickson (Debt Recovery Manager, Edinburgh Shared Repairs Service)
Elaine Finlay (Emergency Team Leader, Edinburgh Shared Repairs Service)
Russell Henderson (Case Review Officer, Edinburgh Shared Repairs Service)
Linda Murray (Finance Manager, Edinburgh Shared Repairs Service)
Hugh Dunn (Acting Executive Director of Resources)
Peter Watton (Head of Corporate Property)
Keith Irwin (Principal Commercial Solicitor)
Bryan Denny (Customer Services Manager, Edinburgh Shared Repairs Service)

Appendix 1 – Lessons Learned

Ref	Summary	Lesson Learned
1a) The cessation of activities by the Property Conservation service		
1.1	<p>City Development was slow to recognise and address concerns about the Property Conservation service. The report to the Finance & Resources Committee in March 2010 reported a £28 million work-in-progress balance, but observed that 'it is normal for Property Conservation to be holding an unbilled value of ongoing work in its accounts'.²⁵</p> <p>The scale of the problems relating to the Property Conservation service was brought to light through the persistence of elected members in tabling questions at full Council meetings and thorough scrutiny of reports presented to the Council and its committees.</p>	<p>Scrutiny by elected members</p> <p>This demonstrates the value of elected member scrutiny in highlighting significant service failings and ensuring that they are fully investigated.</p>
1.2	<p>The Internal Audit report issued in October 2010 made 18 recommendations for improvement. At that time, audit findings were not risk rated, and actions were not formally agreed with management. Management actions to address audit findings were not tracked.</p> <p>There was limited evidence that effective action was taken by the Property Conservation service to address audit findings before the service was transferred to SfC in March 2011.</p>	<p>Lack of follow up of Internal Audit actions</p> <p>Actions to address audit findings are now agreed with management at the end of each audit. Implementation is tracked through monthly reporting to the Corporate Leadership Team and quarterly reporting to the Governance, Risk and Best Value committee.</p>
1.3	<p>A focussed attempt to reform the service and deal with complaints began when the service was transferred to Services for Communities in March 2011 (one year after concerns were first raised by members). At this time, a new senior management team was put in place who had had little or no prior involvement with Property</p>	<p>New management once crisis emerged</p> <p>Transferring responsibility for the Service to another Directorate allowed a full assessment of the pervasive problems in the Property Conservation Service and decisive action to be taken to remedy them.</p>

²⁵ Item 20: Property Conservation Service, Finance & Resources Committee, 16 March 2010

	Conservation and as such was sufficiently independent to acknowledge the problems in the service and take remedial action. Emergency measures were immediately put in place and external consultants were appointed to support the investigations.	
1.4	Reporting to the Council and its committees once SfC took over was frank and recognised the significant weaknesses in the service and the need for a fundamental redesign.	<p>Governance</p> <p>Scrutiny and challenge from elected members from 2010 onwards meant reporting was increasingly clear and decisions were transparent. As a result, there was sustained pressure on management to investigate the allegations against Property Conservation thoroughly and take decisive action to remedy the problems endemic to the Service.</p>
1b) The completion of 'active sites'		
1.5	<p>As reported to Council in April 2011, Property Conservation operating procedures were reviewed to improve financial control on 'active sites'. All active projects were to be reviewed to determine a current projected cost, and any variation from that was to be 'subject to a rigorous authorisation process.'</p> <p>However, we reviewed one project completed in this period where additional works were completed without a written mandate from each owner, despite the instructions of the Property Conservation Project Panel to obtain these. This project was later reviewed by Deloitte, and it was considered that the Council could not recover the costs relating to these works.</p>	<p>Project oversight</p> <p>The 'rigorous authorisation process' did not appear to be formalised or enforced. The additional works went ahead without documented approval from the Property Conservation Project Panel and all owners. As a result the Council was unable to recover a significant proportion of project costs from owners where there was a demonstrable enrichment (i.e. the owners had benefited from the works), and the majority of owners had agreed in writing to that work taking place.</p>
1.6	Both 'active site' projects reviewed completed in Spring/Summer 2012, but were not billed until Summer 2014 as part of Project Joule.	<p>Billing</p> <p>Property Conservation did not capitalise on improved project management procedures and customer relationships by billing work promptly. This is likely to have adversely affected collection rates.</p> <p>It also meant that the Council incurred additional costs in cases where a Deloitte review and Morton Fraser involvement in debt recovery may not have been necessary had owners been billed promptly.</p>
1.7	Thomson Bethune and Property Conservation surveyors	Unbilled Work-in-Progress

	<p>made good progress in completing the active sites, reducing the number on site from 83 in March 2011 to 42 in October 2011.²⁶ However, in both 'active site' cases reviewed, owners were not billed until Project Joule in 2014. As with the original Property Conservation service, there appears to have been a focus on completing work on site, but a failure to bill owners.</p>	<p>Accounting policies encouraged the accumulation of a large Work-in-Progress balance as income was recognised by the service as soon as the cost was incurred (and the contractor paid), but there was no impact on the Service's budget if the costs were not successfully recovered from owners.</p> <p>A false financial picture was created as the Service appeared to be successfully generating income for the Council, but in fact did not collect the cash. This could be avoided through more sophisticated management accounting with a provision for bad debt.</p> <p>This continued under SfC when there was a focus on completing active sites and pipeline works, but work completed was not always billed until Project Joule in 2014. This adversely impacted on the Council's cash flow and is likely to have increased costs of billing and debt collection.</p>
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1d) Contractor claims

<p>1.8</p>	<p>The primary reason it was decided not to pursue claims against consultants was that the 5 year period in which the Council could have brought such a claim may have expired. Legal advice held that this began at the point where the Council certified payment to the contractor: the point at which it could be argued they should have been aware of any breach in performance obligations.</p> <p>This highlights the importance of quality control during a project. There was a lack of control over payments to contractors in the Property Conservation service which has been highlighted in earlier reviews of the service: there was no authorisation protocol, and payments were made with no evidence that work had been completed to an acceptable standard.</p>	<p>Certification of works</p> <p>Quality Assurance processes have been built into the new Edinburgh Shared Repairs Service which include site visits, scrutiny and authorisation of stage payments, and retention from final accounts.</p>
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2) The process of determining the recoverability of unbilled WIP at cessation and its subsequent billing

<p>2.1</p>	<p>Three of the 6 projects we reviewed were assessed by Thomson Bethune in this period, but ultimately were not billed until Project Joule because of difficulties such as unidentifiable 'day works' charges or disputes over the</p>	<p>Authority to write-off contested amounts</p> <p>An acceptance that losses would be sustained, and a mandate to write off</p>
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²⁶ Item 8.3: Property Investigation & Service Update, City of Edinburgh Council, 27 October 2011

	<p>allocation of shares. Deloitte deducted significant amounts from the contractors' Final Account before billing owners: in one case reviewed, £439k (40%) was deducted.</p> <p>These were frequently issues which had been identified by Thomson Bethune: where no statutory notice had been issued for example, or there was not an adequate breakdown of a 'day works' charge. However, these cases were put on hold for investigation. Officers did not have the authority, or the will, to write off charges which could not be substantiated. As a result, the project was not billed and no monies were recovered.</p>	<p>significant sums were required before billing could progress. Until the Project Joule Project Panel was given that authority, with a bad debt provision of £17.9m, limited progress was made in billing legacy Property Conservation projects.</p>
2.2	<p>There were a number of different work streams active between 2011 and 2014 (active sites, investigations, Resolution, billing) but they were not treated as a significant programme and managed as such. A review carried out by the Director of Corporate Governance and reported to the Finance & Resources Committee in 2014 found that there was little communication between the work streams and a fragmented approach to the Property Conservation closure.</p>	<p>Project management</p> <p>It was apparent that this was a significant programme from 2011, but it was not treated as such. The Property Conservation closure programme would have benefitted from a project management structure providing oversight and governance across all work streams.</p>
2.3	<p>In June 2014, the Director of Corporate Governance also observed that the Service was struggling with significant pressure in resources. This is apparent if we compare progress made between 2011 and 2013, and between 2013 and 2015 when Deloitte became involved. Deloitte had the capacity available to be able complete the detailed review of a significant number of complaints and project required, and the independence and reputation to progress the project in a potentially difficult political environment. Thomson Bethune, as a medium-sized local firm, does not have same resources available to it.</p>	<p>The appointment of Thomson Bethune</p> <p>While it was sensible to bring in external support at an early stage of the programme, a tender exercise to identify a provider with the capacity and experience to deliver the full programme efficiently would have been beneficial once the extent of work required became clear in 2011.</p>
2.4	<p>In many cases, challenges to bills came from surveyors who represented a large number of owners affected by Property Conservation. The Council responded in these cases to the surveyor, not the owner. We are unable to</p>	<p>Role of third parties acting on behalf of owners</p> <p>Surveyors and lawyers acting on behalf of groups of owners played a significant</p>

	confirm that the Council's full responses reached owners.	<p>role in the Property Conservation Closure Project in generating and sustaining action by owners, and in their communications with the Council on behalf of owners.</p> <p>In future investigations and significant projects, third parties acting on behalf of owners and community activists should be considered as key stakeholders in the communications strategy and project plans.</p>
2.5	<p>Members of both the Finance & Resources Committee and the Governance, Risk & Best Value Committee ('GRBV') acknowledged some difficulties in the relationship between the two committees. The Finance & Resources Committee set policy on Property Conservation closure and resolution, and the GRBV responsible for scrutiny.</p> <p>However, members of both Committees noted that there was a disconnect in the feedback loop back to Finance & Resources: it was not clear what powers the GRBV had to make recommendations or act on that scrutiny. Members of the Finance & Resources Committee also observed that members of GRBV did not always seem to be aware of the decisions made by Finance & Resources Committee or reports that committee had received. We note that much reporting to the Finance & Resources Committee on Property Conservation was by 'B' agenda: some members of the GRBV may not have had sight of those reports.</p>	<p>Governance & oversight</p> <p>Clarify role of Governance, Risk & Best Value in scrutinising investigations and significant projects led by other Council committees including flow of information to GRBV, and extent of its powers in decision-making.</p>
3) The Council's handling of and response to complaints from owners		
3.1	<p>Deloitte's contract was extended in 2014 to encompass project management of all work streams and the development of the new Edinburgh Shared Repairs Service. This was a direct result of the Director of Corporate Governance's review of the Property Conservation Closure Project: he identified that there was little communication between the teams working on the closure, significant pressure on resources, and that progress was slow.</p>	<p>Flexibility of approach</p> <p>The Property Conservation Closure Project benefited critical review of project progress and a willingness to act on its results and seek external support. This meant that greater progress could be made on the Property Conservation Closure Project in 2014 and 2015.</p>

3.2	<p>In investigating owners' complaints, the Resolution Team identified issues (such as a significant sum billed for 'day works') which were later written off by Deloitte. As with the Thomson Bethune review of unbilled work, where issues were identified the Resolution Panel put bills 'on hold' and returned the matter to the Resolution Team for investigation.</p> <p>In 2013, delegated authority was granted to the Director of Services for Communities to write-off or settle amounts relating to disputed Property Conservation Projects up to the value of £3,000.²⁷ Before that date, officers had no authority to settle with owners where they identified problems with the project and/or errors in the bill. This contributed to the accumulation of 278 'complex cases' handed to MMS in 2013. The legal and professional fees incurred in settling these cases added considerably to the amounts written off, and may have been avoided if officers had been given delegated authority to decide on the appropriate treatment early on.</p>	<p>Authority to resolve owners' complaints A clear delegation of authority gives officers the ability to resolve complex complaints efficiently and at a lower cost to the Council.</p>
3.3	<p>We reviewed three cases where complaints had been considered by the Resolution Panel. In two cases, the Resolution Panel recommended that the Resolution Team write to owners to apologize or respond to their complaints. Owners never received those letters. In the third case, a response was sent to the owner, but two years after the original complaint was received.</p>	<p>Tracking decisions of the Resolution Panel The decisions of project boards should be tracked to ensure that timely action is taken.</p>
3.4	<p>It was clear that many owners found the FoI process difficult to navigate and frustrating. It is designed to enable access to information, but owners appeared to see it as an entry to the Council and would use FoI requests to ask questions about their bills and operational questions relating to their project: it became a conduit for complaints in many cases. These often could not be answered fully in</p>	<p>Customer Services In future investigations or significant projects where there is likely to be a high level of public engagement, project teams may wish to consider setting up a single point of contact to help the public navigate the Council and find the information or answers they need.</p>

²⁷ Item B1.1: Property Conservation Resolution of Outstanding Financial Issues, Finance & Resources Committee, 31 October 2013

	<p>the context of an Fol.</p> <p>This appeared to be alleviated to some extent when Project Momentum was introduced. A multi-disciplinary Customer Services team was established to deal with customer enquiries, Fol requests and complaints. There was evidence of increased collaboration and consultation between the teams from 2014 onwards.</p>	<p>We would also recommend defining a communications strategy to help respond to enquiries from members of the public efficiently and clearly.</p>
3.5	<p>It may be that owners and the Council would have been able to reach a mutually acceptable settlement sooner if communication had been supported by someone familiar with the Council and trusted by both sides. Individual elected members did support owners and were able to facilitate meetings between the Council and owners, but their involvement was necessarily ad hoc.</p>	<p>Owners' advocate</p> <p>In future investigations or significant projects where there is likely to be a high level of both controversy and public engagement, project teams may wish to consider appointing an independent person to act as an 'owners' advocate' and support them in their dealings with the Council.</p>
3.6	<p>A number of those we interviewed told us that they had never received an apology from the Council for the well-documented failings of the former Property Conservation service.</p>	<p>Apology</p> <p>A general apology to owners affected by the failings of the former Property Conservation service should be considered.</p>
<p>4) The management of the debt collection process and its adherence to the Council debt collection policy</p>		
4.1	<p>There has been debate over the concept of 'equal shares' as applied to legacy statutory repairs. Under the 1991 Confirmation Act the cost of work is split equally between the 'units' (usually flats) affected. Legacy statutory repairs, including those billed through Project Joule, were billed on that basis. Where deductions were identified on projects which had been billed previously during Project Momentum, credit notes and refunds were offered to all owners.</p> <p>However, there are occasions when a settlement has been reached with some owners affected by a single statutory notice but not others. In other cases, for example when one owner cannot be traced or is in insolvency proceedings, the debt recovery process has been exhausted and a decision is taken to write off the amount due from that owner. In both scenarios, owners in a single</p>	<p>Equal shares</p> <p>Officers have implemented the Council's Corporate Debt Policy to maximise recovery as they are duty bound to do. Any decision to deviate from policy for contentious matters such as legacy statutory repairs must be a political decision taken by elected members. It cannot be made by officers.</p>

	<p>building may pay several different amounts for the same repairs.</p> <p>This treatment aligns with the principles of the Corporate Debt Policy, which is within the control of elected members.</p>	
4.2	<p>At the end of January 2017, there was still £4.5 million of outstanding debt. This included Project Joule, Project Momentum and legacy suspended debt. Of these, 42 cases totalling £0.7 million were recorded on the Morton Fraser status report as being 'on hold' or 'sisted for investigation'.</p>	<p>'On hold' debt</p> <p>We suggest that a review of cases which are currently on hold should be carried out to determine whether a legal or technical review is required, and whether further action can and should be taken to recover the debt.</p>
4.3	<p>This has been an emotive and drawn-out saga for many owners who wish to pay for repairs at a 'fair' rate but disagree with the Council on the calculations and facts of their bill. In such cases, commercial arbitration may have enabled a settlement to be reached more quickly and at a lower cost to the Council.</p>	<p>Arbitration</p> <p>In a proportion of cases both the Council and owners may have benefited from the option of commercial arbitration, with costs shared between the Council and owners.</p> <p>This is not a recommendation to reopen Property Conservation cases which have already been closed or are in legal proceedings, but commercial arbitration should be considered as an option in future disputes.</p>

Appendix 2 – Terms of Reference

To: Andrew Kerr – Chief Executive

From: Magnus Aitken - Chief Internal Auditor

Date: 2 February 2017

Cc: Hugh Dunn – Acting Executive Director of Resources
Peter Watton – Head of Corporate Property & Facilities Management
Andrew Field – Head of Edinburgh Shared Repairs
Nick Smith – Head of Legal, Risk & Compliance

Background

The legacy statutory repairs resolution projects are now close to completion. At its meeting on 22 December 2016, the Governance, Risk and Best Value Committee requested that Internal Audit conduct a project closure review to establish whether there are any lessons to be learned from the Council's handling of the Property Conservation service closure.

Scope

The scope will be to review the closure of the former Property Conservation service and the Council's response to complaints about legacy statutory repairs, and identify lessons to be learned for the future.

This includes, and is limited to, a review of:

- The completion of 'active sites' and the cessation of activities by the Property Conservation service, subsequent to the decision to close the service;
- The process of determining the recoverability of the un-billed WIP at cessation and its subsequent billing – Project Joule;
- The Council's handling of and response to complaints from owners – the Resolution Team / Panel and their subsequent replacement by Project Momentum ; and
- The management of the debt collection process and its adherence to the Council debt collection policy.

For each stage we will consider:

- Governance and decision-making arrangements;
- Application and adequacy of Council procedures and policies; and
- The level of the Council's engagement with and communication to owners.

Limitations of Scope

The scope of our review is outlined above. This review will not include investigations into or assessments of the validity of decisions made in individual cases.

As part of this process, we may seek to contact individuals who are not Council employees. These individuals may exercise their right not to enter into communication with us.

This review will not involve the review of individuals email accounts, nor will it involve any physical searches for documentation.

The scope also excludes consideration of the new Shared Repairs Service. This was the subject of a 'Review Recommend' completed by Internal Audit in January 2016. The new service will be revisited by Internal Audit in 2017/18.

Approach

Our audit approach is as follows:

- Obtain an understanding of the Property Conservation service closure and resolution projects through discussions with key personnel;
- Review available project and case documentation; and
- Consider the appropriateness of the approaches adopted during the Property Conservation service closure and resolution processes; and
- Consider whether there are any lessons to be learned for the future.

The City of Edinburgh Council

Internal Audit

Edinburgh Shared Repairs Service
Final Report
June 2017

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive summary

Total number of findings

Critical	0
High	0
Medium	0
Low	2
Advisory	1
Total	3

Summary of findings

Edinburgh Shared Repairs Service has launched as a full service in April 2017, with a pilot service running since September 2015. We reviewed the 3 projects which have been delivered under the new Enforcement procedures to date, and 1 project which was a legacy project from the former Property Conservation service and delivered under the new procedures in its later stages.

From the review the following areas of good practice were identified:

- Robust governance arrangements and quality controls have been implemented to encourage risk-aware decision making and project management.
- The service demonstrated agility in adapting processes to fit needs of individual cases without undermining agreed policies and procedures.
- By nurturing a work culture with open communication, the service learns, shares, and continuously improves its processes.
- There was evidence of consistent, responsive, and detailed communication with customers.

The following areas for improvement were identified:

- Surveyors recruited to deliver the Edinburgh Shared Repairs Service are not used to their full capacity because the number of projects on site is fewer than forecast in the business plan.
- Improvements to the records management system would improve accessibility of project documentation and reduce duplication of work.
- The pre-survey letter to owners could be revised to explain that liability will not be assessed until the survey is complete.

Our detailed findings and recommendations are laid out within Section 2: *Detailed findings*.

1. Background

Background

A significant proportion of buildings in Edinburgh are under shared ownership. Owners of flats or commercial premises in the building are jointly responsible for the upkeep of communal areas and the fabric of the building. Owners have historically had difficulty co-ordinating repairs to these buildings.

In 2013, the Edinburgh Shared Repairs Service (“ESRS”) was formed to issue Emergency Statutory Notices. It enforces emergency repairs on shared ownership properties in situations where public health and safety is compromised. Its responsibility was extended in September 2015 when a pilot service was launched, with the authority to enforce non-emergency but essential repairs to buildings under shared ownership.

Essential Repairs are repairs required within a building that do not pose an immediate threat to the health and safety of members of the public (or owners themselves) but if repairs are not undertaken soon, then it’s likely the fabric of the building will degrade further causing a potential threat at a later date.

ESRS intervene and enforce works when Owners contact them because they cannot agree to facilitate the works themselves and all options have been exhausted. A series of checks are carried out by the service before the service will consider becoming involved. The Council also might refuse to undertake Essential Repairs where there is not enough evidence provided by the owners of arranging repairs themselves or where there is a reputational or financial risk to the Council. The Council takes on the risk of paying for the repairs, and the possibility of being unable to recover sums owed from Owners. If required, the Council’s standard debt recovery processes are undertaken to recover sums owed after the works have been completed and billed. To date, 4 Essential Repairs have been enforced under the new structure and 22 Essential Repairs have been undertaken by Owners through the Intervention process.

The three stages of ESRS are:

Customer contact

This is the initial discussion phase to determine whether there is an essential repair and whether owners have made attempts to procure the works privately before contacting ESRS.

Intervention

This is the second phase which commences once owners have made an effort to procure the works without assistance from ESRS. ESRS intervenes and assists the owners by:

- providing further guidance and support on how to procure works privately;
- writing to owners outlining the benefits of private procurement vs. Council enforcement; and
- appointing a case officer to attend meetings and proactively engage with owners.

Enforcement

After all attempts to procure works privately have been exhausted, ESRS may decide to issue and enforce a Statutory Notice. Each case is presented to a panel where a decision is made to move forward with enforcing the works or to notify the owners that the Council will not take their case forward and it is the responsibility of the owners to undertake the repairs necessary. ESRS will engage a contractor to perform the work and become the contract administrator. ESRS will then recharge all costs, including an administration fee, to the owners.

Statutory notices are registered to the property on the Property Enquiry Certificate system. Any outstanding debt is therefore attached to the property and settled on sale of the property. This mitigates

the risk of non-recovery of debt.

Scope

This review focuses on the Enforcement stage, considering the following areas:

- Decision to begin Enforcement
- Contracting
- Monitoring
- Completion
- Communication with owners
- Billing
- Internal assurance

For the full terms of reference see Appendix 2.

Limitations of Scope

Edinburgh Shared Repairs Service has launched as a full service in April 2017, with a pilot service running since September 2015. The portfolio of projects which have reached Enforcement is limited, so there are elements of the Enforcement process which have not yet been put into practice. As such, we have reviewed the control design but cannot assess the operating effectiveness of the following areas:

Monitoring of contractors

The contract framework began on 3 April 2017, so no projects have been initiated or delivered using framework suppliers. The KPIs which will be used to monitor contractor performance have been developed, but are not yet in use as no contracts are live.


During the pilot, contractors were appointed on a project-by-project basis.

Defects and snagging

Two projects have now been billed to owners, but are still in the defects period. The final retention is still held by ESRS for these projects. We have not assessed controls around the release of the retention payment.

2. Detailed findings

1. Resources are not utilised to capacity

Findings	
<p>The total number of cases proceeding to the Enforcement stage has been lower than forecast in the original business case for the Service.</p> <p>This is a positive development for the service and its reputation, and indicates that governance arrangements and the Customer Contact and Intervention stages are working. However, it does mean that qualified and experienced professionals recruited for the new service may be under utilised.</p>	
Business Implication	Finding Rating
<ul style="list-style-type: none"> • Risk of loss of qualified and experienced employees; • An inefficient use of Council resources. 	

Action plans	
Recommendation	Responsible Officer
<p>ESRS should work with the wider Service to:</p> <ul style="list-style-type: none"> • Forecast the future service demand; • Review the Service's Business Case; • Assess whether other services require support from Building Surveyors; and • Assess whether staffing can be managed across ESRS and Corporate Property rather than solely within Enforcement. 	<p>ESRS Manager</p>
Agreed Management Action	Estimated Implementation Date
<p>The recommendation is accepted. The Business Plan is under regular review to determine appropriate levels of resource.</p> <p>The service manager is currently assessing the effects of the reduced workload on the staff structure and costs of running the service.</p> <p>Recruitment of technical staff has been suspended in the meantime.</p>	<p>July 2017</p>

2. Document management is inefficient

Findings

The Service aspires to become a paperless office with a single, trusted repository for all documentation relating to a case or property. Idox DMS will be introduced as an Enterprise Content Management system which will also enable the Service to share content with external stakeholders and allow remote working through mobile devices.

However, the implementation of Idox DMS has been delayed and there is no 'go live' date for the new system. This is connected to wider delays in the ICT Transformation project, and is outwith the control of the Service. In the meantime, project documentation is held on the shared drive and in paper files. We found this affects the Service in two ways:

Availability of documentation

Two documents requested during the audit could not be found. The documents were of minor relevance to the audit, but this indicates that current records management arrangements do not allow project documentation to be retained and retrieved reliably and efficiently.

Duplication of records

The Gateway and Compliance Checklist is used to record review and authorisation at key stages of a project. It is currently maintained as both a digital Word file and as a physical paper document. The Word document is not secure, so paper documents are held to record authorisation and provide an audit trail. It is not clear whether Idox DMS will enable the Service to record project sign-offs electronically.

Business Implication

- Risk that project documentation is inaccurate where duplicate records are held.
- Risk that core project documentation cannot be retrieved.

Finding Rating

Low

Action plans

Recommendation

- 1) Develop records management procedures with a clear file structure and naming conventions.
- 2) Assess whether Idox DMS will allow authorisation to be recorded electronically.
- 3) As an interim measure, assess whether a digital signature on a PDF would provide an adequate record of authorisation at key stages of a project.

Responsible Officer

ESRS Manager

Agreed Management Action

ESRS has a Records Manager from Information Governance working on historical paper files and part of this project is to implement a new electronic records management system. This project is underway and due to be complete by December 2017.

Due to the ERP project with CGI being delayed ESRS has had

Estimated Implementation Date

February 2018

authorisation to implement a DMS system linked to the system already in use, Uniform. This will be implemented by early 2018.	
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3. Unclear communication of liability to owners

Findings

Before serving a statutory notice, ESRS identify the correct number of properties (liability) and the correct owners (ownership) so far as is reasonably practicable. Assessment of liability is based on a physical building survey carried out before the notice is served.

However, letters to owners before the building survey do not fully explain this process and inform them that the owner's share of repairs and the estimated cost have not yet been assessed. An owner's liability may be affected by further defects identified during the survey (if the defects are found to affect fewer properties than originally thought, for example) or the size of their property. For example, pre-survey letters for one project were sent to 12 owners but it was found during the survey that only 6 owners were liable for the repairs.

Business Implication

- Reputational risk where there is a perceived lack of transparency over costs and shares.
- Risk of not recovering sums owed for surveys or repairs undertaken.

Finding Rating

Advisory

Action plans

Recommendation

The Service should consider including a disclaimer in the pre-survey letter to owners to explain that indicative costs and liability will only be assessed after the survey.

Responsible Officer

ESRS Manager

Agreed Management Action

The recommendation is accepted and has been implemented.

Estimated Implementation Date

June 2017

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2 – Terms of Reference

Resources

Terms of Reference – Edinburgh Shared Repairs Service

To: Hugh Dunn

From: Gemma Dalton
Principal Audit Manager

Date: 10 May 2017

Cc: Jackie Timmons; Andrew Field; Peter Watton

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017.

Background

The new Edinburgh Shared Repairs Service (ESRS) launched as a pilot service in September 2015, with a full launch in April 2017. The remit of the new service, as approved by the full Council in February 2015, includes the enforcement of non-emergency repairs to buildings under shared ownership. Enforcement is the final stage of an ESRS project and the last resort: owners are first encouraged to facilitate repairs themselves.

The three stages of ESRS are:

Customer contact

This is the initial discussion phase to determine whether there is an essential repair and whether owners have made attempts to procure the works privately before contacting ESRS.

Intervention

This is the second phase which commences once owners have made an effort to procure the works without assistance from ESRS. ESRS intervenes and assists the owners by:

- providing further guidance and support on how to procure works privately;
- writing to owners outlining the benefits of private procurement vs. Council enforcement; and
- appointing a case officer to attend meetings and proactively engage with owners.

Enforcement

After all attempts to procure works privately have been exhausted, ESRS may decide to issue and enforce a Statutory Notice. ESRS will engage a contractor to perform the work and become the contract administrator. ESRS will then recharge all costs, including an administration fee, to the owners.

This audit review will focus on the Enforcement stage. 'Lessons learnt' from the collapse of the former Property Conservation service and the risk assessment completed for the new service both identified the nature of the construction industry as a key inherent risk. In the Enforcement stage, the new service will necessarily be reliant on construction firms and tradesmen to carry out repairs.

A desktop review of the proposed contract management arrangements was completed by Internal Audit in January 2016 early on in the pilot. 53 projects have now reached intervention, with 4 of those projects proceeding as Enforcement projects with ESRS acting as contract administrator.

Scope

The scope of this review will be to assess the design and operating effectiveness of the Council's proposed controls relating to Enforcement project management and management information in the Edinburgh Shared Repairs Service.

The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
Decision to begin Enforcement	<ul style="list-style-type: none"> • Owners are given sufficient opportunity and guidance to take works on privately without Council enforcement.
Contracting	<ul style="list-style-type: none"> • Contractors are appointed following a competitive tender process in accordance with corporate procurement policy and EU law. • The scope of work and cost are agreed with the contractor before work begins. • The scope of work and cost are authorised in line with corporate policy before work begins. • No work is completed out of scope of the statutory notices. • Variations to contracted work are authorised in line with corporate policy.
Monitoring	<ul style="list-style-type: none"> • Performance measures agreed with each contractor allow Edinburgh Shared Repairs Service to assess quality, price and delivery. • Performance information is meaningful and accurate. • Performance information is monitored throughout the project. • Appropriate action is taken where contractors do not meet agreed service standards.
Completion	<ul style="list-style-type: none"> • The Service confirms acceptance of the work at key stages of the project following a physical inspection. • Timely action is taken to resolve disputes with contractors. • Payments to contractors are made only for work completed fully and to a satisfactory standard. • Responsibility for repairing defects post-completion is agreed with contractors.
Communication with owners	<ul style="list-style-type: none"> • Owners are informed of the estimated cost, scope and timing of works before work begins. • Owners receive prompt and full responses to questions and complaints. • Owners are informed of contract variations (including delays). • Approval is obtained from all owners for non-essential variations to scope. • Defects and snagging identified by owners after project completion are remedied.
Billing	<ul style="list-style-type: none"> • Owners are billed accurately and promptly for work completed. • Owners are only billed for work completed within a Statutory Notice or for which written approval has been obtained.
Internal assurance	<ul style="list-style-type: none"> • Information provided to the Senior Management Team is accurate and timely and enables them to monitor service delivery effectively.

Limitations of Scope

The scope of our review is outlined above. Testing will be undertaken on a sample basis for the period 31 March 2016 to 30 April 2017.

This review will not consider the Emergency Shared Repairs Service which was subject to a full controls-based audit in January 2015, with a follow up report considered by the Governance, Risk and Best Value committee in November 2016.

Approach

Our audit approach is as follows:

- Obtain an understanding of contract management through discussions with key personnel, review of systems documentation and walkthrough tests;
- Identify the key risks around contract management;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

Internal Audit Team

Name	Role	Contact Details
Lesley Newdall	Chief Internal Auditor	0131 429 3216
Gemma Dalton	Principal Audit Manager	0131 469 3077
Meike Beenken	Internal Auditor	0131 260 4104

Key Contacts

Name	Title	Role	Contact Details
Hugh Dunn	Acting Executive Director – Resources	Review Sponsor	0131 469 3150
Peter Watton	Head of Corporate Property	Head of Service	0131 529 5962
Andrew Field	Edinburgh Shared Repairs Service Senior Manager	Key Contact	0131 529 6778
Jackie Timmons	Edinburgh Shared Repairs Service Manager	Departmental Contact	0131 529 6778

Timetable

Fieldwork Start	15 May 2017
Fieldwork Completed	2 June 2017
Draft report to Auditee	16 June 2017
Response from Auditee	30 June 2017
Final Report to Auditee	7 July 2017

Follow Up Process

Where reportable audit findings are identified, the extent to which each recommendation has been implemented will be reviewed in accordance with estimated implementation dates outlined in the final report.

Evidence should be prepared and submitted to Audit in support of action taken to implement recommendations.

Actions remain outstanding until suitable evidence is provided to close them down.

Monitoring of outstanding management actions is undertaken via monthly updates to the Director and his Senior Executive Officer. The Senior Executive Officer liaises with service areas to ensure that updates and appropriate evidence are provided when required.

Details of outstanding actions are reported to the Governance, Risk & Best Value (GRBV) Committee on a quarterly basis.

Appendix 1: Information Request

It would be helpful to have the following available prior to our audit or at the latest our first day of field work:

- Latest enforcement process map
- Latest performance dashboards
- List of projects which are in the enforcement process

This list is not intended to be exhaustive; we may require additional information during the audit which we will bring to your attention at the earliest opportunity.