

Committee(s): Audit and Risk Management Sub Committee	Date(s): 15 th December 2009	Item no.
Community and Children's Services Committee	8 th January 2010	
Barbican Residential Committee	29 th March 2010	
Subject: Community and Children's Services Outstanding Arrears		Public
Report of: Director of Community and Children's Services		For Information
<p style="text-align: center;"><u>Summary</u></p> <p>This report presents the outstanding arrears position for the Community and Children's Services Department as at 30th September 2009. The report provides:</p> <ul style="list-style-type: none"> • A high level departmental summary position. • Service area summaries as at end of March 2009 for all service areas for comparison. • A RAG (Red, Amber, and Green) status has been used to flag up any high risk debts. The RAG status is defined as follows: Green- At, or better than target, Amber – up to 25% over target, Red – more than 25% over target. • The September 2009 overall position remains at a RAG status of Green. At the service area level it shows an improvement on the March 2009 position (reported to Members in June 2009). Four service areas at March 2009 had a Red or Amber rating compared with three service areas reported here for September 2009. • Detailed debt reports including an age profile for arrears over 3 months old as at end of September 2009 and end of October 2009 for the following three service areas with a Red or Amber rating: all other service areas are rated Green: <ul style="list-style-type: none"> • Barbican Miscellaneous Income. (September & October = Red) • Adult Services. (September & October = Red) • Families & Young People. (September = Amber, October = Red) • The value of invoices raised between 1st October 2008 and 30th September 2009 is included to put the level of arrears in context. 		

Departmental Summary:

	Invoices raised October 2008 to September 2009	Net Arrears* Target	Total Net arrears* Outstanding September 2009	September 2009 RAG status	March 2009 RAG status
Housing Services	£11,635,261	£302,984	£118,245	Green	Green
Barbican Estate	£11,558,047	£138,208	£56,952	Green	Green
Adult Services	£503,613	£95,000	£132,097	Red	Green
Families and Young Peoples Services	£136,109	£11,338	£11,464	Amber	Amber
	£23,833,030	£547,530	£318,758	Green	Green

Departmental Bad Debt Provision 30th

September 2009: **£834,000**

Gross Arrears £1,265,365

**Net arrears excludes debts under 3 months old and those debts where action has already been taken i.e. write-offs, payment arrangements and referrals to the tracing agents or the Comptroller and City Solicitor.*

Recommendations

Members are asked to note the report, the action being taken on outstanding arrears and provide any comment on the review of the net arrears targets.

Main Report

Background

1. This report is produced on a six monthly basis so that progress in addressing outstanding arrears can be monitored by Members.

2. This report is based on the format introduced at the June 2008 Audit Sub Committee and includes the March 2009 gross and net arrears figures for comparison.
3. The aged debt profile continues to be monitored by the Community and Children's Services Departmental Management team.
4. Targets are continuously being reviewed. Revised targets are now in place for Housing Former Tenants, Housing Service Charges, Barbican Long Lessees and Barbican Short Term Tenants.
5. With regard to the Housing Former Tenant arrears the targets have changed from monitoring gross debt to monitoring net debt. The rationale behind the change was to provide a SMART target which is directly related to the performance of the Rents Section in the recovery of FTAs. The Rents Section has no control over the amount of the gross debt but their actions can, in most circumstances, control the amount of the net debt (debt against which recovery action has been taken). The target for 09/10 was set the same as that for the Benefits Section and the recovery of Housing Benefit overpayments and will be reviewed for 10/11.
6. With regard to Housing Service Charges, Barbican Long Lessees and Barbican Short Term Tenants, the targets have been reduced as they were being reached comfortably. In setting the new targets we have had regard to the more difficult economic situation and the level of charges expected. E.g. in Housing Service Charges there are significant major works to be charged in the next few years. The September 09 billing was £700k instead of the more usual £300k because of major works charges.
7. As with previous reports, an Appendix including a summary table for each service area as listed below has been produced in a consistent format, as agreed with the Chairman and Deputy Chairman of the Sub Committee:
 - Housing:
 - i. Housing Current Tenant Arrears
 - ii. Housing Former Tenant Arrears
 - iii. Housing Benefit Overpayments
 - iv. Housing Service Charge Arrears
 - v. Housing Miscellaneous Debt including Sports Development hiring debt

- Barbican:
 - i. Barbican Long Leaseholders Arrears
 - ii. Barbican Short Term Tenants Current Arrears
 - iii. Barbican Commercial Tenants Arrears
 - iv. Barbican Former Tenant Arrears
 - v. Barbican Miscellaneous Income
- Adult Services.
- Family and Young People's Services

5. In addition to summary tables, detailed tables, commentaries and graphs are provided for services with a Red or Amber rating. These tables show the position for those services as at end of September 2009 and at the end of October 2009. This is to provide both more detailed and up to date information on performance and allow Members to focus on service areas with performance issues.

Current Position

6. The September 2009 overall position remains at a RAG status of Green. At the service area level it shows an improvement on the March 2009 position (reported to Members in June 2009). Four service areas at March 2009 had a Red or Amber rating compared with three service areas reported here for September 2009.
7. Of these areas, two also had Red or Amber ratings as at March 2009 and collection procedures continue to be reviewed by the Director of Community & Children's Services to identify actions to improve this position, including the timing of references to the Comptroller and City Solicitor.

Financial and Risk Implications

8. Debt arrears have a direct impact on Community and Children's Services local risk and HRA budgets as a bad debt provision is needed in relation to both the age and risk of the arrears.
9. All arrears are monitored closely on a case by case basis. In addition the department has an income collection and debt management plan aimed at

achieving improvements in billing and monitoring improvements to reduce the level of arrears

Consultees

10. The Chamberlain and the Comptroller & City Solicitor have been consulted in producing this report.

Conclusion

11. Community and Children's Services continue to make progress in controlling arrears across most areas of the department. At the end of September 2009, however, there were three Red or Amber rating high risk service areas across the whole Department. At the end of October 2009 two of these service areas ratings remained unchanged, but one moved from Amber to Red. These areas are therefore subject to continued scrutiny and follow up.

Background Papers:

CBIS, Manhattan and Orchard reports.

One Appendix is attached to this report. It provides a summary table for each service area as well as detailed tables, commentaries and graphs for services with a Red or Amber rating.

Contact:

Kathy Freeman

020 7332 1655

Kathy.Freeman@cityoflondon.gov.uk

Appendix One – Service area reports

Housing Services – Overall Position

	Income raised October 2008 to September 2009	Net Arrears Target	Total Net arrears outstanding	September 2009 RAG Status	March 2009 RAG Status
Housing Current Tenants	£9,797,949	£156,767	£28,378	Green	Green
Housing Former Tenants	£30,039	£30,000	£18,497	Green	Green
Housing Benefits overpayments	£24,140	£30,000	£12,188	Green	Green
Housing Service Charges	£1,618,512	£50,000	£31,721	Green	Green
Housing Misc.debts	£164,621	£36,217	£27,461	Green	Red
	£11,635,261	£302,984	£118,245	Green	Green
Housing Bad Debt Provision at 30th September 2009:	£301,000	HRA City Fund			
	£148,000				

The Housing Management team consider the position in detail on a regular basis. At September 2009 the RAG status of Housing Miscellaneous debt had improved from Red to Green. The overall target for Housing was achieved.

Barbican Estate Services – Overall Position

Summary for the Service:

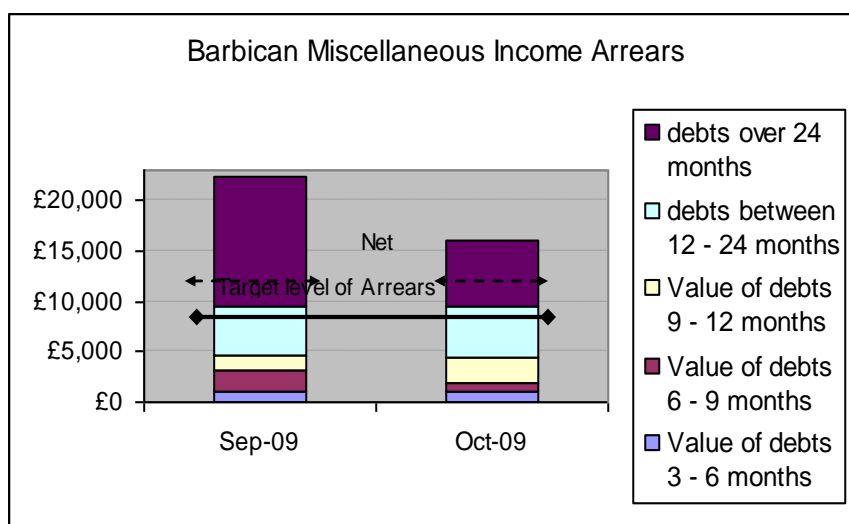
	Income raised October 08 to September 09	Net Arrears Target	Net arrears outstanding	September 2009 RAG Status	March 2009 RAG Status
Barbican Long Lessees	£7,356,308	£73,563	£10,116	Green	Green
Barbican short term tenants	£1,985,913	£19,859	£5,121	Green	Green
Commercial Tenants	£2,044,901	£35,786	£29,534	Green	Red
Former Tenants	£0	£0	£0	Green	Green
Miscellaneous	£170,925	£9,000	£12,181	Red	Red
Totals	£11,558,047	£138,208	£56,952	Green	Green

Barbican Bad Debt Provision:

£133,000

Barbican – Miscellaneous Income (RAG Status - Red)

	1 st April 2008 – 31st March 2009	1 st October 2008 - 30 th September 2009	1 st November 2008 to 31st October 2009
Total value of invoices raised	£108,769	£170,925	£171,815
Target level of net arrears	£9,000	£9,000	£9,000
<i>Age Analysis of Debt:</i>	March 2009	September 2009	October 2009
Value of debts 3 - 6 months	£1,822	£1,150	£1,072
Value of debts 6 - 9 months	£1,225	£2,015	£777
Value of debts 9 - 12 months	£1,217	£1,403	£2,479
debts between 12 - 24 months	£12,365	£4,949	£5,114
debts over 24 months	£3,874	£12,889	£6,491
Total gross arrears outstanding	£20,503	£22,406	£15,933
<i>Action taken :</i>			
Amounts subject to arrangement	£0	£0	£0
Amounts referred to Comptroller for recovery action	£0	£10,225	£3,632
Net arrears outstanding	£20,503	£12,181	£12,301



These arrears generally relate to temporary car parking. The total outstanding includes £7,644 in respect of charges to a contractor who caused a fire and has been recharged for the subsequent repairs and redecorations.

Summary for Adult Services:

	Income raised October 08 to September 09	Net Arrears Target	Net arrears outstanding	September 2009 RAG Status	March 2009 RAG Status
Adult Services	£503,613	£95,000	£132,097	Red	Green

Adult Services Bad Debt Provision:

£234,000

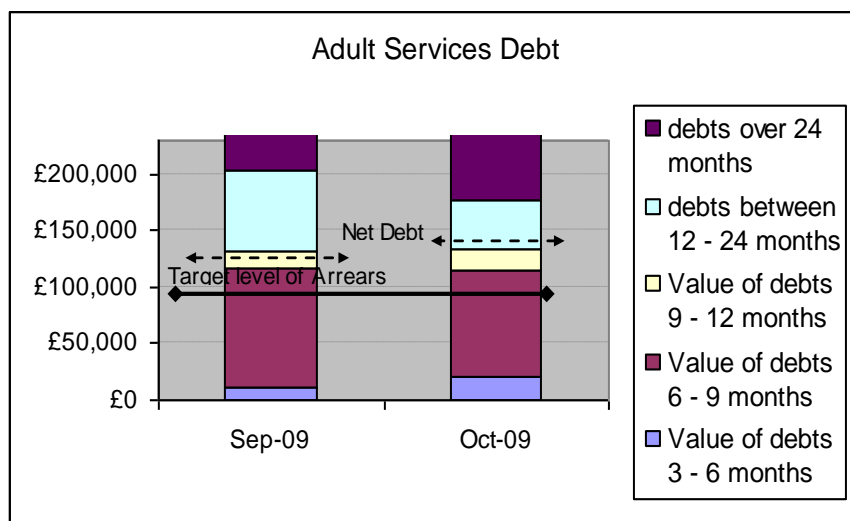
The RAG status for Adults Services has deteriorated from Green to Red since March as a result of catch-up invoicing not being paid by clients.

Adult Services (RAG status - Red)

	1 st April 2008 – 31st March 2009	1 st October 2008 - 30 th September 2009	1 st November 2008 to 31st October 2009
Total value of invoices raised	£475,208	£503,613	£487,319
Target level of net arrears	£95,000	£95,000	£95,000
<i>Age Analysis of Debt:</i>	March 2009	September 2009	October 2009
Value of debts 3 - 6 months	£35,112	£10,977	£19,869
Value of debts 6 - 9 months	£9,178	£105,867	£95,175
Value of debts 9 - 12 months	£2,659	£14,709	£18,350
debts between 12 - 24 months	£85,586	£72,813	£44,645

debts over 24 months	£67,729	£87,246	£123,913
Total gross arrears outstanding	£200,264	£291,612	£301,952
<i>Action taken :</i>			
Amounts subject to arrangement	£0	£2,771	£2,771
Amounts referred to Comptroller for recovery action	£150,770	£156,744	£156,744
Net arrears outstanding	£49,494	£132,097	£142,437

The Head of Adult Social Care receives a monthly debt monitoring report. The management team has set a target for net debt arrears at £95,000. The current position is a significant deterioration compared to the previously reported position (RAG status Green) as at the end of March 2009. Follow up action continues to be undertaken on a regular basis. At March 2009 the RAG status was Green. Although the RAG status shows an apparent deterioration, the situation arises because of the implementation of the debt action plan agreed by the department in January 2009. One of the actions was to ensure that all charges due were invoiced more promptly. This resulted in a considerable amount of catch-up invoicing in March 2009 which did not appear in the debt until 3 months later. This caused a major increase in debt. Of this debt a few major cases remain outstanding. Invoices are now raised within 2 weeks of month end and recovery action is also focused on the highest value debts. Actions are being taken weekly to chase different individuals/estates for arrears.



**Summary for
Family and Young
People Services:**

	Income raised October 08 to September 09	Net Arrears Target	Net arrears outstanding	September 2009 RAG Status	March 2009 RAG Status
Family & Young People Services	£136,109	£11,338	£11,464	Amber	Amber

**Family & Young
People Services
Debt Provision:**

£18,000

Families and Young Peoples Services (RAG status - Amber)

	1 st April 2008 – 31 st March 2009	1 st October 2008 - 30 th September 2009	1 st November 2008 to 31 st October 2009
Total value of invoices raised	£213,650	£136,109	£132,771
Target level of net arrears 8.33% of invoices raised	£17,797	£11,338	£11,060
<i>Age Analysis of Debt:</i>	March 2009	September 2009	October 2009
Value of debts 3 - 6 months	£3,277	£8,046	£9,015
Value of debts 6 - 9 months	£3,622	£1,603	£2,038
Value of debts 9 - 12 months debts between 12 - 24 months	£694	£2,566	£1,272

	£5,354	£3,758	£4,946
debts over 24 months	£5,810	£6,147	£6,147
Total gross arrears outstanding	£18,757	£22,120	£23,418
<i>Action taken :</i>			
Amounts subject to arrangement	£0	£5,590	£3,610
Amounts referred to Comptroller for recovery action	£0	£5,066	£6,364
Net arrears outstanding	£18,757	£11,464	£13,444

The Service Director receives a monthly debt monitoring report. The management team has set a target for net debt arrears based on one month of the value of invoices raised for the last 12 months. The current position is a significant improvement over that previously reported. Follow up action is now being undertaken on a regular basis. Feedback from budget holders on these actions is now incorporated into the monthly monitoring process for the service. These steps have resulted in a significant improvement in the net arrears position. At March 2009 the RAG status was Amber. This remained just above target (an Amber status) at September 2009, but slipped back to Red at October 2009.

