

Executive

Debtors Update Report

Item no: 10

Report by: David Sanni **Job title:** Head of Financial Accounting
Date: 13 September 2016
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Summary

This report details the level of outstanding debt owed to London Councils from all sources as at 31 July 2016. This report also details the reduction in the level of outstanding debt due from boroughs, TfL and the GLA in the period to 31 December 2015.

A summary of the level of London Councils outstanding debts as at 31 July 2016 is shown in Table 1 below:

Table 1- Summary of London Councils Outstanding Debts at 31 July 2016

Period	Borough / TfL / GLA Debts £000	Other Debts £000	Total Debts £000
Debts invoiced up to 31/12/2015	-	235	235
Debts invoiced between 1/1/2016 – 31/7/2016	4,064	231	4,295
Total	4,064	466	4,530

Recommendations

The Executive is asked:

- To note the level of outstanding debt of £52.50 in relation to borough, TfL and GLA invoices raised up until 31 December 2015, a reduction on the outstanding figure of £1.352 million reported to the Executive at its meeting on 1 March 2016;
- To note the level of outstanding debt of £4.064 million in respect of borough, TfL and GLA invoices raised in the period 1 January to 31 July 2016;

- To note the level of outstanding debt of £466,364.58 in relation to other debtors invoices raised up until 31 July 2016;
 - To approve the write-off of £1,517.93 in respect of the invoice to the Mosaada Centre for Single Women to recover unused European Social Fund (ESF) community grant funding; and
 - To note the specific action being taken in respect of significant debtors, as detailed in paragraph 6 and 9 of this report.
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Debtors Update Report

Introduction

1. London Councils' Executive received a report at its meeting on 1 March 2016 which detailed the level of outstanding debt due from member boroughs, TfL and the GLA for invoices raised up to 31 December 2015. The position reported to this meeting is illustrated in Table 2 below:

Table 2 – Outstanding Borough/TfL and GLA debt invoiced up until 31 December 2015, as reported to the Executive on 1 March 2016

Debtor	Debt Amount (£)
Member boroughs	1,352,455.02
TfL	-
GLA	-
Total	1,352,455.02

Current Position

2. The current position in respect of outstanding debt due from member boroughs, TfL and the GLA up to 31 December 2015 is detailed in Table 3 below:

Table 3 – Outstanding Borough/TfL and GLA debt invoiced up until 31 December 2015, as at 31 July 2016

Debtor	Debt Amount (£)
Member boroughs	52.20
TfL	-
GLA	-
Total	52.20

Borough/TfL/GLA Debt 1 January to 31 July 2016

3. Appendix A to this report shows the level of outstanding debt owed to London Councils by its member boroughs and TfL/GLA over the period 1 January to 31 July 2016, which totals £4.064 million. This debt is profiled as illustrated in Table 4 below:

Table 4 – Outstanding Borough/TfL and GLA debt 1 January to 31 July 2016

Debtor	0-30 days (£000)	30-60 Days (£000)	60-90 Days (£000)	Over 90 Days (£000)	Total (£000)
Member boroughs	2,237	123	528	1,173	4,061
TfL	2	-	-	-	2
GLA	1	-	-	-	1
Total	2,240	123	528	1,173	4,064

4. Under the terms of the Financial Services SLA with the City of London, reminders in respect of unpaid invoices are sent out to debtors by the City on behalf of London Councils after 21 and 35 days. If a debt is still outstanding after 42 days, it is handed back over to London Councils for further action to be taken. Finance officers are, therefore, actively pursuing the debt of £1.701 million that has been outstanding for over 60 days. The aim is to ensure that the majority of the unpaid debt at any point in time has been outstanding for less than 30 days, with a minimal amount being outstanding for between 30 and 60 days. Boroughs, TfL and GLA are urged to ensure that any disputed amounts are promptly reported back to London Councils, detailing the full nature of the dispute. In cases where the value and/or number of outstanding invoices owed by a borough are unacceptably high, the debts are referred to the Chief Executive and Treasurer through contact from London Councils Chief Executive and /or Director of Corporate Resources to assist in the recovery of the funds.

Significant Borough/TfL/GLA Debtors

5. The significant individual borough, TfL and GLA debtors within the outstanding balances over 60 days are detailed below:

- **LB of Barnet - £350,025.05 – 6 invoices (Now £35,563.85 - 2 invoices)**

The balance is made up of six invoices that relate to the annual subscription to London Councils for 2016/17 (£105,652), the non-TfL concessionary fares charges for the first quarter of 2016/17 (£93,788), the Grants Committee subscription for the first quarter of 2016/17 (£77,454), the annual subscription to London Councils Ltd (£37,567.20), charges for TEC parking services for the fourth quarter of 2015/16 (£35,308.65) and charges for TEC parking services for abandoned and untaxed vehicles for the second quarter of 2015/16 (£255.20). Four of the invoices have been paid with the invoices for TEC parking services still outstanding. The borough's interim Chief Executive has been informed of the outstanding debts and finance officers shall continue to liaise with colleagues in the borough to ensure they are settled as soon as possible.

- **LB of Brent - £111,473.63 – 2 invoices (Now £45,208.63 – 1 invoice)**

The balance is made up of two invoices that relate to the Grants Committee subscription for the first quarter of 2016/17 (£66,265) and charges for TEC parking services for the fourth quarter of 2015/16 (£45,208.63). The Grant Committee subscription was paid in August 2016 and the borough's Chief Finance Officer has

been informed of the remaining debt. Finance officers shall continue to liaise with colleagues in the borough to ensure it is settled as soon as possible.

- **RB of Greenwich - £113,696.20 – 3 invoices (Now £52.20 – 1 invoice)**

The balance is made up of three invoices that relate to the annual subscription to London Councils for 2016/17 (£105,652), TEC parking services for the fourth quarter of 2015/16 (£7,992.01) and other charges (£52.20). The invoices for the annual subscription to London Councils and TEC parking services were paid in August 2016.

- **LB of Hounslow - £105,652 – 1 invoice (Now Nil)**

The balance is made up of one invoice that relates to the annual subscription to London Councils for 2016/17. The invoice was paid in August 2016.

- **RB of Kensington & Chelsea - £103,523.50 – 2 invoices (Now Nil)**

The balance consists of two invoices that relate to the non-TfL concessionary fares contribution for the first quarter of 2016/17 (£52,844) and the Taxicard subscription for the first quarter of 2016/17 (£50,679.50). Both invoices were paid in August 2016.

- **LB of Lambeth - £155,855.20 – 8 invoices – (Now £146,155.20 – 6 invoices)**

The balance consists of eight invoices that relate to the annual subscription to London Councils for 2016/17 (£105,652), the annual subscription to London Councils Ltd (£37,567.20), the annual subscription to London Care Services for 2016/17 (£9,000), the contribution to ALDCS for 2015/16 (£2,000), the contribution to the Andy Ludlow Awards for 2016/17 (£700) and GLPC job evaluations (£936). The invoices for the annual subscription to London Care Services and the contribution to the Andy Ludlow Awards were paid in August 2016. The borough's Director of Finance has been informed of the remaining debts and finance officers shall continue to liaise with colleagues in the borough to ensure they are settled as soon as possible.

- **LB of Newham - £232,720.20 – 5 invoices (Now Nil)**

The balance consists of five invoices that relate to the annual subscription to London Councils for 2016/17 (£105,652), to the Grants Committee subscription for the first quarter of 2016/17 (£67,001), the annual subscription to London Councils Ltd (£37,567.20), the registration of PCN debts at the county court for April 2016

(£21,000) and the annual parking core subscription (£1,500). All the outstanding invoices were paid in August 2016.

- **LB of Southwark - £169,785 – 4 invoices (Now £1,500 – 1 invoice)**

The balance consists of four invoices that relate to the annual subscription to London Councils for 2016/17 (£105,652), the annual subscription to London Councils Ltd (£37,567.20), TEC parking services for the fourth quarter of 2015/16 (£25,065.80) and the annual parking core subscription (£1,500). Only the annual parking core subscription remains outstanding and finance officers shall continue to liaise with colleagues in the borough to ensure it is settled as soon as possible.

- **LB of Sutton - £105,652 – 1 invoice (Now Nil)**

The balance consists of one invoice that relates to the annual subscription to London Councils for 2016/17. The invoice was paid in August 2016.

6. The total value of the debts detailed in paragraph 6 above is £1.448 million and consists of 32 invoices. If these amounts are excluded from all the debts that are over 60 days old which total £1.702 million a sum of £253,157.45 remains outstanding in respect of 15 invoices, an average of £16,877.16 per invoice outstanding. In addition to the reminders sent out by the City of London, the borough officers have also been contacted by letters and telephone but some of the debts still remain unpaid. Finance officers will continue to chase up these debts with the relevant borough officers with a view to clearing as much as possible in the period up until 30 September 2016.

Other Debtors

7. Appendix B to this report shows the level of outstanding debt owed to London Councils by third parties other than member boroughs, TfL and the GLA at 31 July 2016. An aged analysis of these debts is summarised in table 5 below:

Table 5 – Non-borough/TfL/GLA outstanding debt as at 31 July 2016

	Total Debt (£)	No. of invoices
2013/14 debts	550.00	1
2014/15 debts	215,854.85	8
2015/16 debts	59,150.40	6
2016/17 debts over 60 days	1,121.00	3
2016/17 debts between 30 – 60 days old	53,106.75	6
2016/17 debts 30 days or less	136,581.58	21
Total	466,364.58	45

8. The significant individual debtors within the outstanding balances over 60 days are:

- **British Parking Association (BPA) - £202,077.60 – 5 invoices**

This balance is made up of five invoices that relate to the operation of the Parking on Private Land Appeals (POPLA) service. London Councils is actively seeking to resolve this issue with the BPA.

- **Repayment of ESF Community Grants - £33,077.25 – 7 invoices**

Table 6 below contains a list of seven organisations awarded community grants under the discretionary ESF co-financing programme that have been asked to repay their unused grant funding.

Table 6 – List of Community Grant debtors

Name of organisation	Outstanding repayment at 31 July 2016
Ardent Foundation	6,250.00
Community Business Enfield	6,249.82
Creative Innovation	550.00
Cross Wave Ltd	6,250.00
Forte Creations	6,250.00
Kimbanguist Association of London	6,009.50
Mosaada Centre for Single Women	1,517.93
Total	33,077.25

Four organisations have been referred to the City of London Solicitor's Department for legal action to be taken to recover the debts. The organisations referred to the legal team are:

- Community Business Enfield;
- Creative Innovation;
- Kimbanguist Association for London; and
- Mosaada Centre for Single Women.

Negotiations continue to take place between the Solicitor's Department, London Councils officers and Community Business Enfield and Creative Innovation. There has been no response to correspondence sent to the Kimbanguist Association for London but the Solicitor's Department continues to pursue the matter. The Mosaada Centre for Single Women was dissolved in July 2016 and it is unlikely that this debt will be recovered. The organisation was awarded a community grant of £12,500 in December 2013 and paid an advance of £6,250 (50%) in accordance with the terms of the community grants programme. The grant was awarded for a period from 15 December 2013 to 30 April 2014 for the provision of personal development training and support to disadvantaged women within the London Borough of Tower Hamlets. The organisation was only able to provide evidence to support £4,732.07 of eligible expenditure by the end of the period and an invoice was issued to recover the unevidenced balance of £1,517.93. The grant was match funded by the London Borough of Tower Hamlets and London Councils officers will ensure that the balance is taken into account during the project closure process. Given the circumstances, the full value of the invoice has to be written down in order to comply with generally accepted accounting principles. Formal approval is, therefore, requested from the Executive for the write-off of this debt.

The grant claims in respect of the remaining three organisations, listed below, are currently being reviewed for potential irregularities. They were awarded community grants of £12,500 in May 2015 and issued advanced funding of £6,250 each:

- Ardent Foundation;
- Cross Wave Ltd; and
- Forte Creations Ltd.

- **Shared Services Connected Ltd - £39,247.20 – 1 invoice (Now Nil)**

This balance is made up of one invoice that relates to fees in respect of an officer seconded to the Department for Communities and Local Government. This invoice was paid in August 2016.

9. The City of London's role in raising London Councils' debtor invoices is detailed in paragraph 5 of this report. For those debts that have reached the 42 day cut-off point, letters are prepared seeking immediate payment, otherwise London Councils will consider taking further action. The Finance Section undertakes prompt follow up action as soon as the debt is referred back by the Corporation.

10. If the debt write-off recommended in this report is approved, the overall level of debtors will reduce by £1,517.93 from £4,530,452.41 to £4,528,934.48 as at 31 July 2016.

Summary

11. This report details the level of outstanding debt owed to London Councils from all sources as at 31 July 2016. This report also details the reduction in the level of outstanding debt due from boroughs, TfL and the GLA in the period to 31 December 2015.

12. A summary of the level of London Councils outstanding debts as at 31 July 2016 is shown in Table 1 below:

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Recommendations

13. The Executive is asked:

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Financial Implications for London Councils

The financial implications are incorporated into the body of the report.

Legal Implications for London Councils

None.

Equalities Implications for London Councils

None.

Appendices

Appendix A: Outstanding Borough/TfL/GLA debts invoiced from 1 January to 31 July 2016

Appendix B: Outstanding Other debts at 31 July 2016

Background Papers

London Councils Debtors working papers 2016/17

Report to Executive on 1 March 2016