

Debtor Management

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Cabinet Member: Cllr David Hall, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. This report reviews the recovery of outstanding debts (monies owed to SCC for goods and services provided) as at the end of February 2018, including a comparison with the previous figures report to Audit Committee and the equivalent values as at the end of February 2017.
- 1.2. The achievement of good performance in this area is linked to the County Plan in relation to “bring in more funding and resources”.

2. Issues for consideration

- 2.1. Members are asked to comment on the position in relation to outstanding debt figures.

3. Background

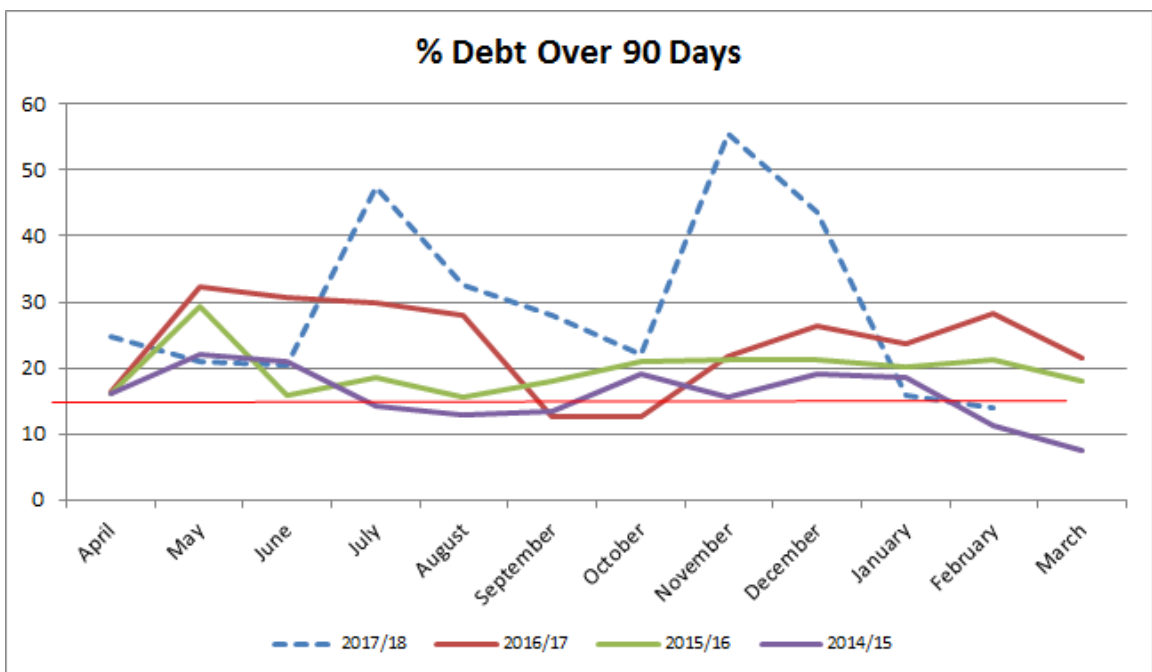
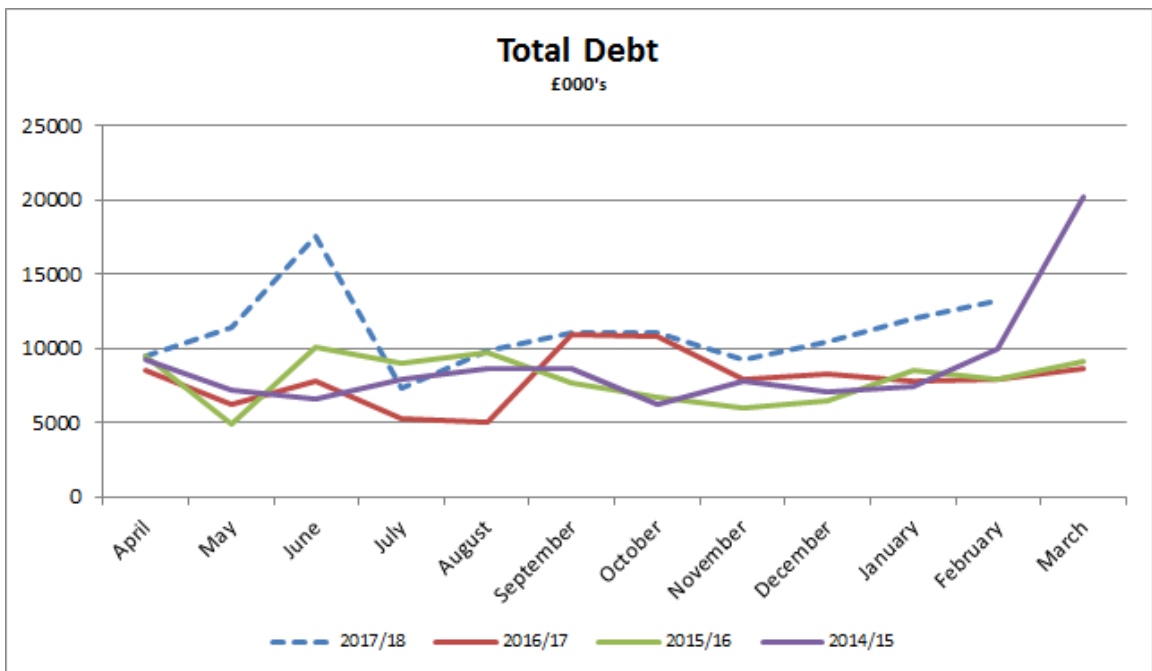
3.1. **Headline figures as at 28th February 2018**

Services’ total net outstanding debt reported on the Accounts Receivable system stood at **£13.205m** as at 28th. February 2018. This compares with a figure of £7.867m as at 28th. February 2017, and £11.083m as at 31st October 2017, which were the last figures reported to Audit Committee in November 2017. The total debt outstanding is therefore higher than it has been, although this is not a concern provided that it is collected promptly.

The percentage of debts over 90 days as at 28th. February 2018 was **14.05%**, which is an improved position when compared to the end of February 2017 when it stood at 28.38%, and a significantly improved position than that reported previously to members in November, when this figure was regularly at its highest over the preceding months.

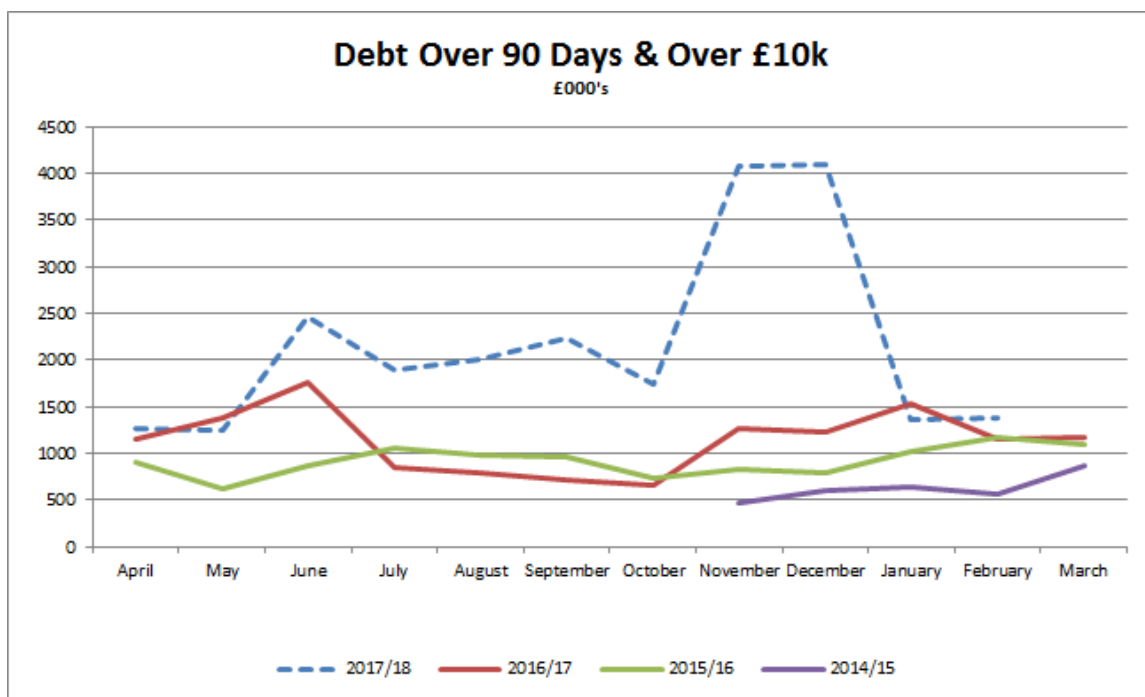
A total of **£1.856m** of our net debt was over 90 days old as at 28th. February 2018, compared with £2.441m as at 31st October 2017 and £2.275m as at 28th. February 2017.

The graphs below show the headline figures as at 28th March 2018, as plotted against previous years' total debt and percentage of debt over 90 days old.



With Audit Committee's approval, we had suspended the previous target of no more than 15% of our total debt being over 90 days old. (This is the horizontal pink line in the graph above). This was in light of the Pre-Action Protocol that had been introduced by the Courts. This allows individuals in particular to legitimately delay making payments and where the Courts would not look favourably on our attempts at legal recovery action until all other avenues had been documented and exhausted. Whilst this is only 2 months data, it does suggest that this could be an realistic target in the future.

From the presentation and reports received by Audit Committee previously, officers have emphasised that to improve performance, there is a need to tackle the larger and older debts. The graph below strongly suggests that this is the area of greatest improvement in the last few months, and it is critical that this is maintained over a longer period of time.



The volume of debts referred for legal debt recovery is gradually increasing in line with the requirements of the Income Code of Practice endorsed by the Audit Committee in November 2017. This now stands at 32.73%, which is close to the highest figure (35%) over the last 3 years.

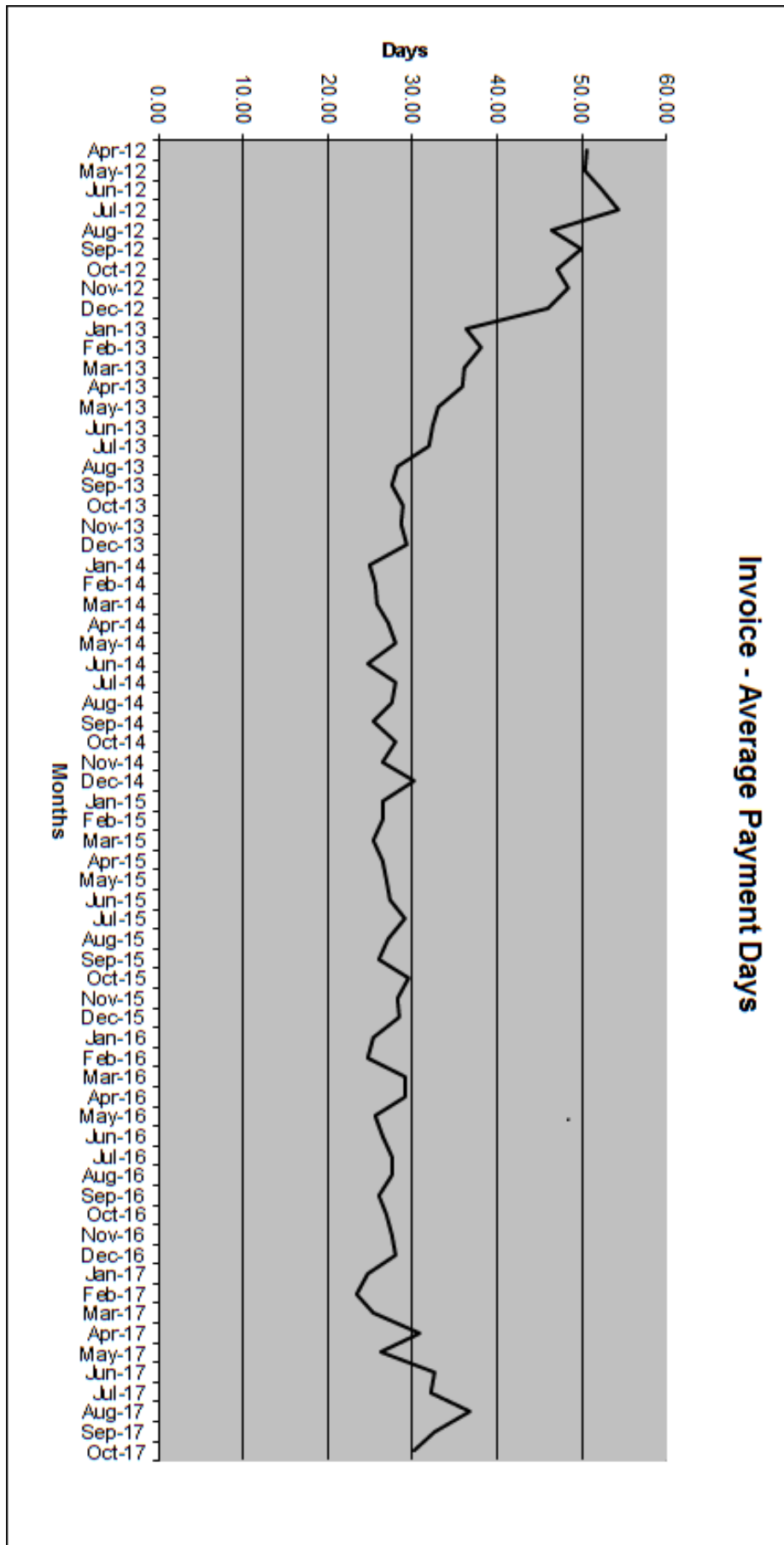
The default within our Income Code of Practice is that a debt is automatically referred for legal action, unless it has been agreed that a debt can be chased by the service, so this is still probably too low a figure, but it compares favourably with the 23.65% figure before the Income Code of Practice was introduced.

3.2. Time to Pay information

The graph below shows the average time for debts to be paid. There is a necessary time lag in terms of capturing the time to pay, and therefore this is run retrospectively, to avoid understating the average. It is not surprising that this increased over the summer and autumn of 2017, as this analysis fits in with our overall problem in collecting a number of debts as previously reported.

It does appear that this figure is now improving again, and by October 2017 it was back down to 30.18 days.

3.3. Time to Pay information (graph over time)



3.4. Significant older debts outstanding

As at 28th. February 2018, there were a total of **48** individual debts that were both over 90 days old and over £10,000. (This figure had varied between 62 and 94 over the summer and autumn when last report to members).

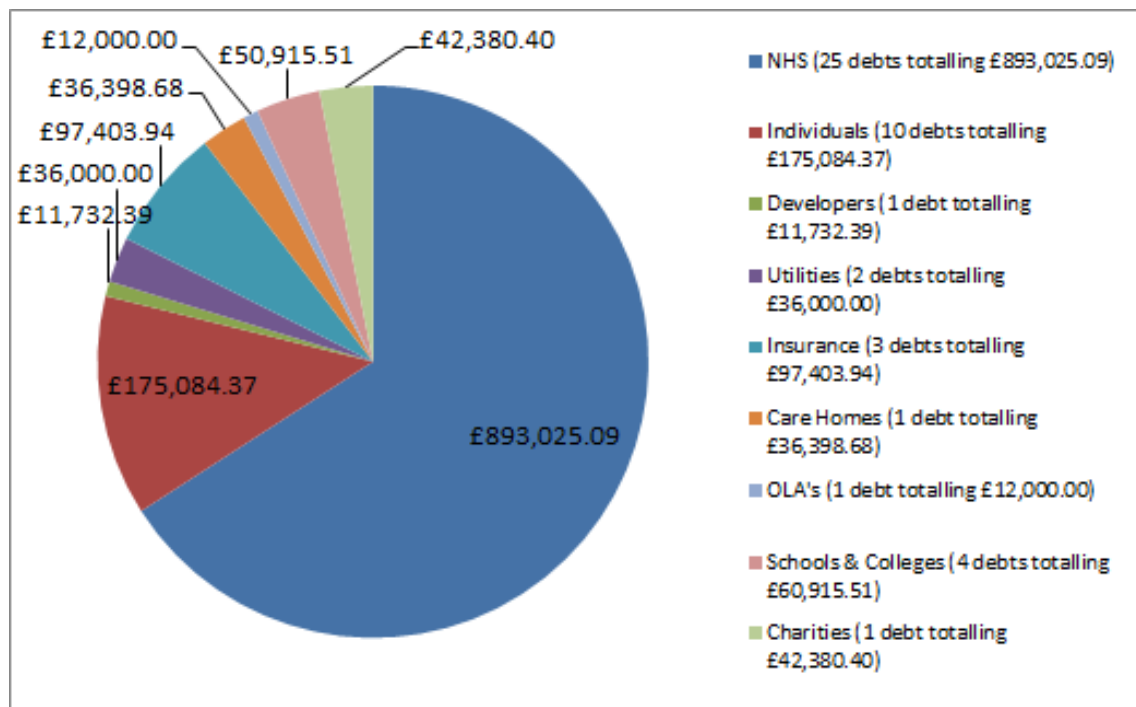
The total value of these 48 debts was £1,354,940.38, which is below the £1,739,362.45 reported to the Audit Committee last time.

The pie chart below shows the composition of these particular debts, which is consistent with previous categories but generally lower figures. A number of measures have been put in place since the last Debt Management report came to Audit Committee:-

- i) Meetings have taken place between SCC and NHS senior finance staff specifically aimed at reducing mutual debt.
- ii) SCC Accounts Receivable staff now have access to a “portal” within health when raising invoices for payment, which ensures that the invoice is pointed at the right individual and should therefore improve payment times.
- iii) Accounts Receivable staff have carried out a number of training sessions on the new Income Code of Practice, particularly targeting the key Debt Chaser role. There have been 3 main training forums and at least 6 service-specific training sessions attended by over 50 SCC officers. In addition, the team have been very active in supporting these officers improving working practices to comply with the Code.
- iv) The Director of Finance has agreed to increase the FTEs on Legal Debt Recovery from 1.0 to 1.2 in order to meet the increased number of cases passed for legal action.

Any individual debts that have been paid off since the end of February will be verbally reported to the meeting.

3.5. Significant older debts outstanding



4. Consultations undertaken

- 4.1. Debt management is considered monthly at the Finance Management Team meetings, chaired by the Director of Finance, and is on the Finance scorecard. Debt is also regularly reported to Cabinet.

5. Implications

- 5.1. If debt is not collected promptly it greatly increases the risk that it may need to be written off which has an impact on the revenue budgets of services.

6. Background papers

- 6.1. Previous reports to Audit Committee.

Note For sight of individual background papers please contact the report author