

Debtor Management

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Cabinet Member: Cllr Mandy Chilcott, 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) and the current performance.
- 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 performance at the end of August 2018.

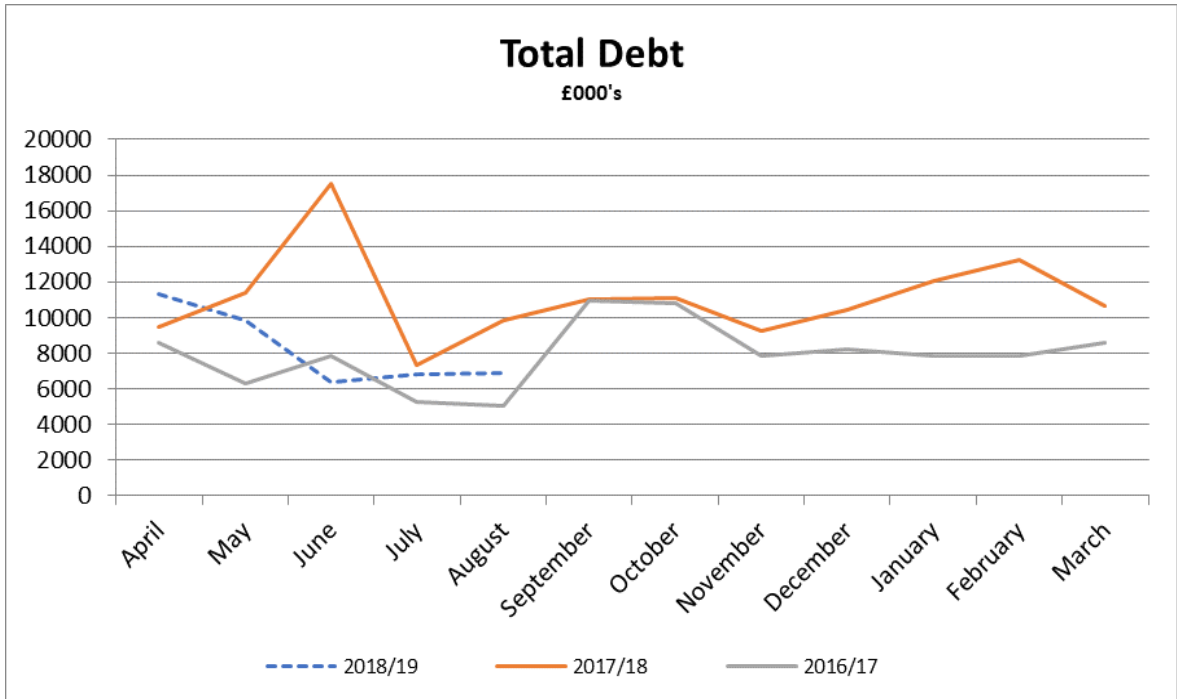
3. Background

3.1. Headline figures as at 31st August 2018

Services’ total net outstanding debt reported on the Accounts Receivable system stood at **£6.812m** as at 31st August 2018. This compares with a figure of £9.813m as at 31st August 2017.

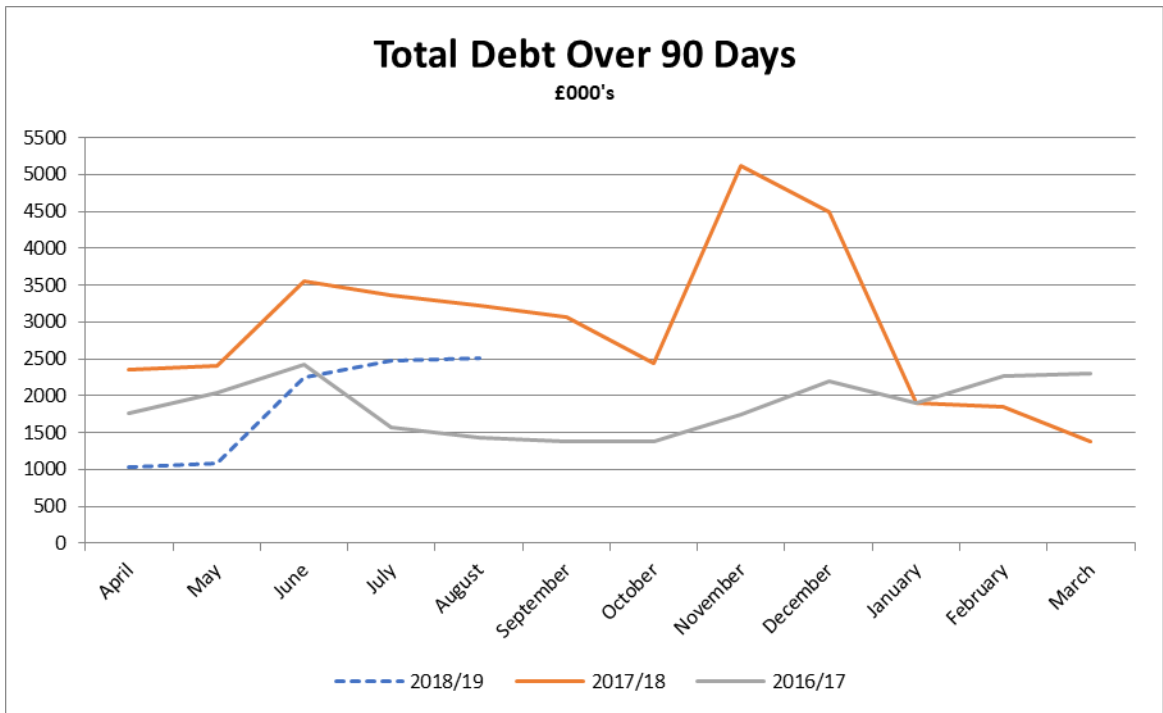
The percentage of debts over 90 days as at 31st August 2018 was **36.49%**, which compares to 32.68% over 90 days as at 31st August 2017. A breakdown of the larger debts and debtors by category is included below. Our long-term target, which would demonstrate a strong performance, is 15%.

The graph below shows the total debt outstanding over the last 2 years plus current year. The total debt figures for 2018/2019 (the dotted line) show that the amount of debt outstanding during the few months is consistently lower than at any point in the previous financial year.

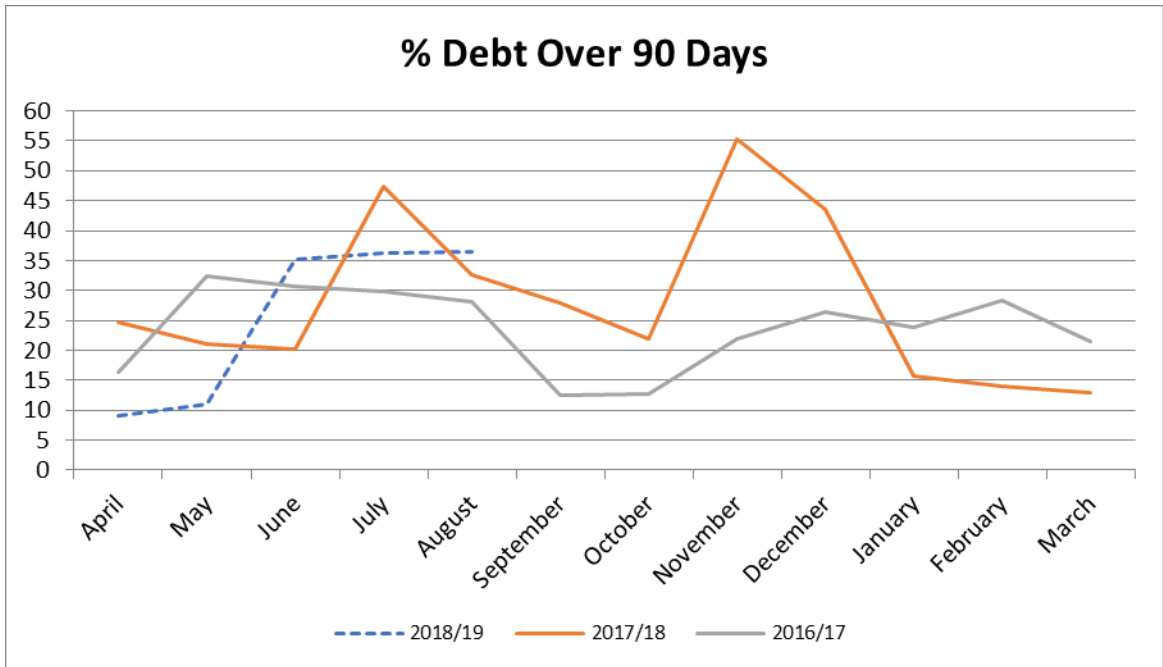


Because the total debt figure is comparatively low, this naturally means that any calculation of long-term debt as a percentage of total debt is slightly distorted – the relative impact of a single large debt over 90 days old is greater.

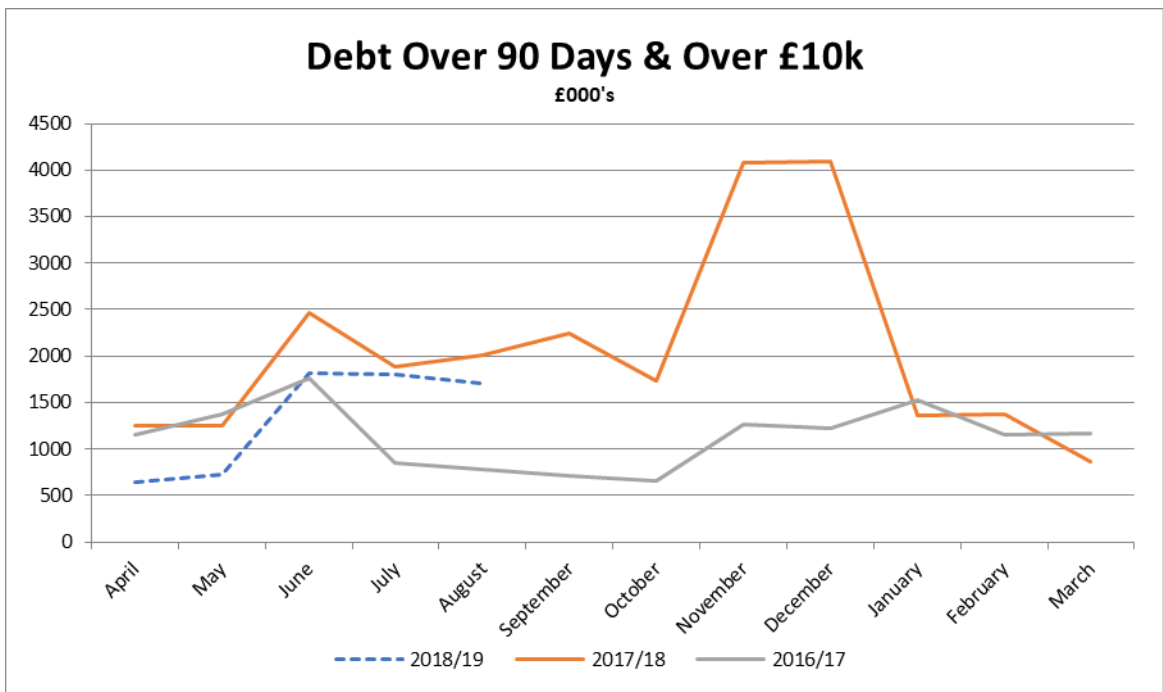
The graphs below show that the total debt over 90 days increased markedly in June 2018, just as our total debt outstanding reduced.



Therefore, as a result, the percentage of total debt over 90 days, also increased significantly in June 2018, declining from what had been our best performance since the final quarter of 2014/2015.



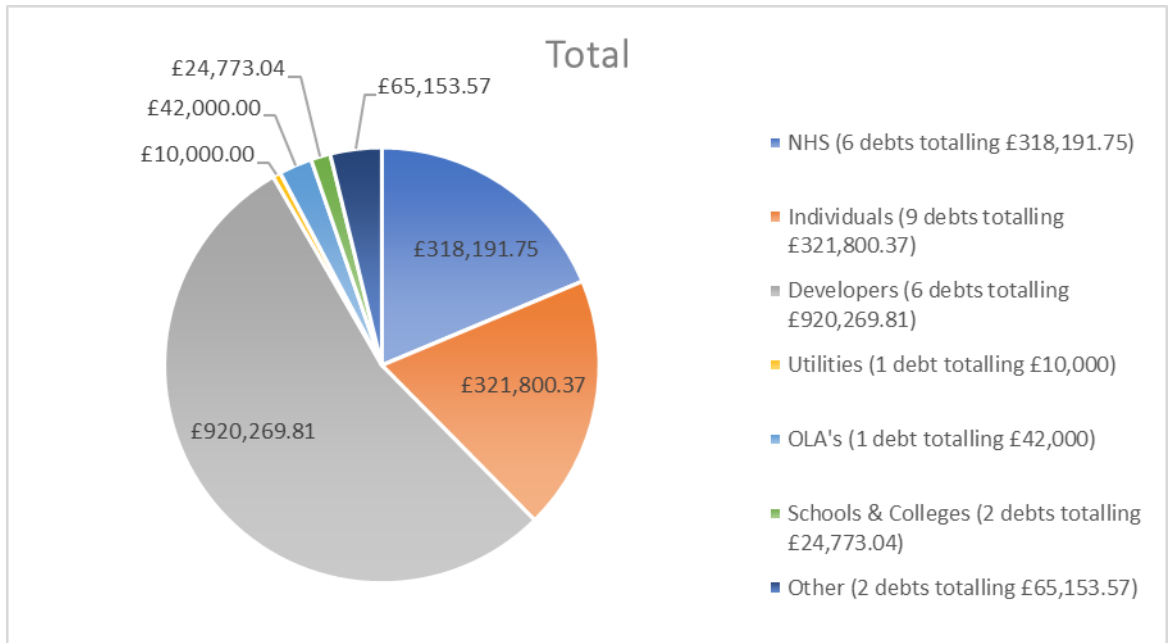
As is often the case, the underlying performance is impacted by a relatively small number of debts that are both over 90 days old and over £10,000 in value.



3.2. Breakdown of larger debt figures

There is a total of **27 debts** that are both over 90 days old and over £10,000 in value as at the end of August 2018. This is actually a particularly low number of debts in this category – in August 2017 the corresponding figure was 63 such debts, and the figure has reached as high as 94 prior to the launch of the Income Code of Practice in November 2017.

However, as the pie chart below illustrates, the total value of these individual debts is higher than in previous reports (totalling £1.702m), and the composition is greatly changed. The last reported figures to Audit Committee only totalled £0.722m).



Health debts, which have previously been the largest single contributor to our large and late debts, have continued to reduce (this figure was over £1m for several months in 2017). Previous Audit Committee reports have included details of how this being managed in a better way between the respective partners, and a portal between us to ensure debt information reaches the right staff.

Developer debts have unfortunately increased substantially in value – by way of comparison there was only two developer debts totalling £46,937.72 when we reported to Audit Committee in June 2018.

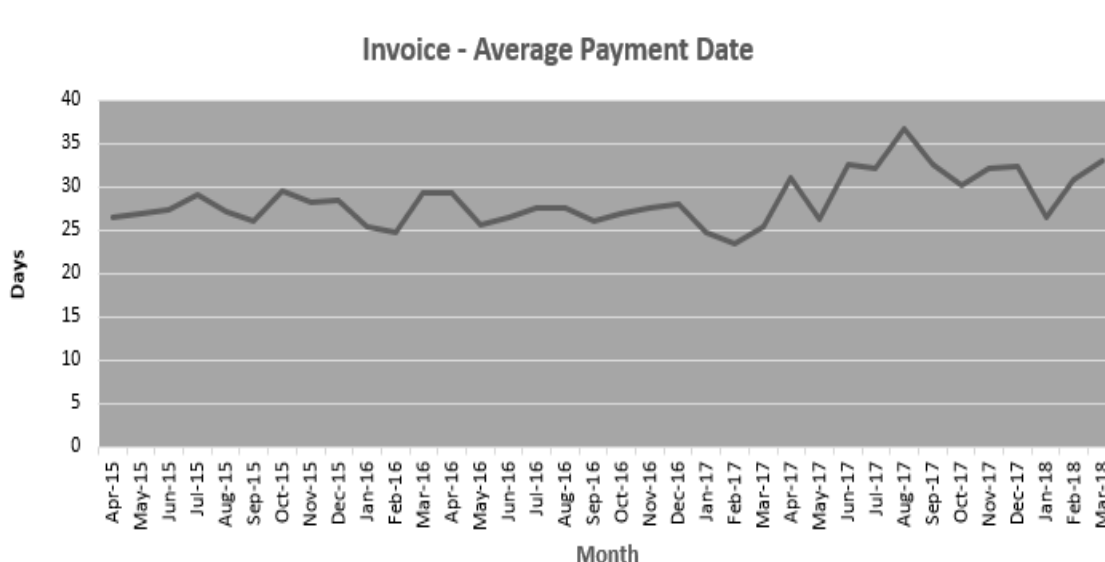
Members can be assured that all these debts are being pursued appropriately. In the first 2 weeks of September 4 of these larger debts have now been paid. These include 2 developer debts (value £132,148.20), one health debt (£55,943.77) and one local authority debt (£42,000.00).

A review of the smaller value of debts over 90 days old reveals that the types of debt remain consistent with previous analyses – utilities, County Ticket and other transport debt, other public sector bodies. These are generally being managed well, and many through Legal Debt Recovery, or directly by the service.

Discussions with the Legal Debt Recovery Team have confirmed that the Pre-Action Protocol introduced by the Courts in 2017 has not greatly delayed the collection of debts from individuals and sole traders.

3.3. Average payment days

The other criterion that officers consider important in debt collection is the calculation of the average number of days for an invoice to be paid. Obviously, this cannot be calculated until a sufficient period of time has elapsed to allow for debts to be paid, so our latest analysis is for invoices raised in March 2018 (N.B. this a snapshot position on a month by month basis and not cumulative). March's figure is 32.95 days, which is slightly higher than in the previous 2 months. There appears to be no underlying reason for this figure, although this is a trend for March for previous years.



Members are reminded that, as reported at the June 2018 meeting, we have a strong record of debt recovery. We regularly have collected over 99% of the net debt that we raise through Accounts Receivable over the last 3 financial years.

4. Consultations undertaken

- 4.1 Debt management is considered regularly at the Finance Management Team meetings. 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. It will also have a (smaller) impact on cashflow costs for the County Council.

6. Background papers

- 6.1. Previous reports to Audit Committee, including the Income Code of Practice (November 2017).
- 6.2. Pre-Action Protocol documentation and requirements.

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