

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 December 2018.

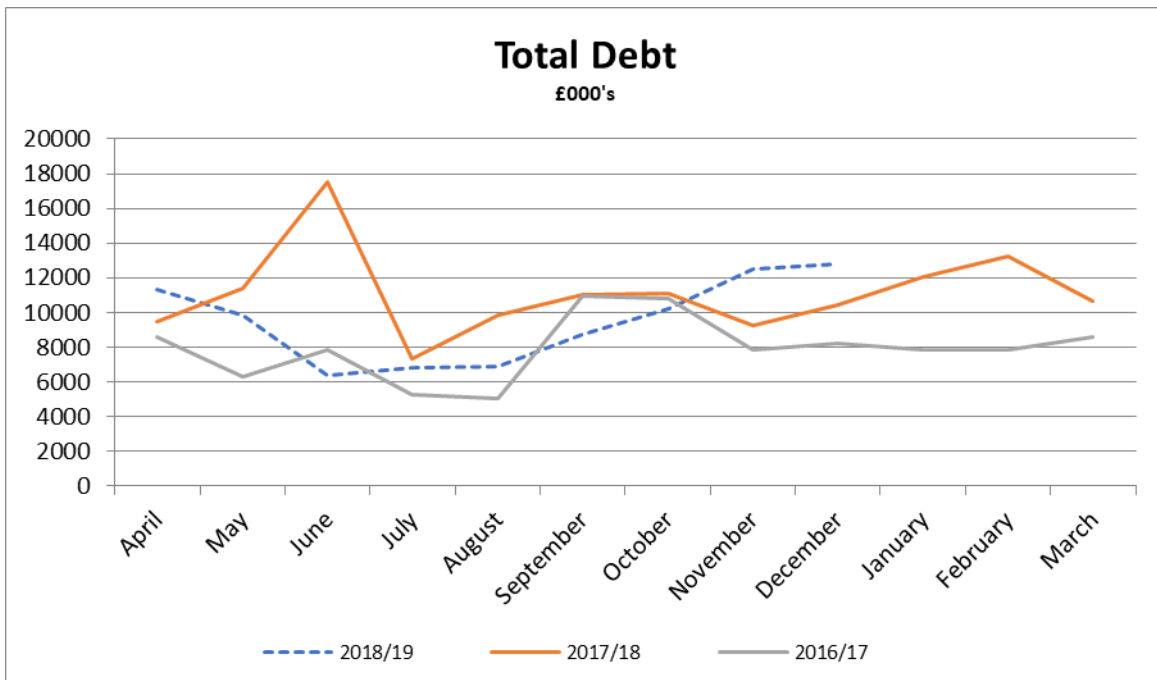
3. Background

3.1. **Headline figures as at 31 December 2018**

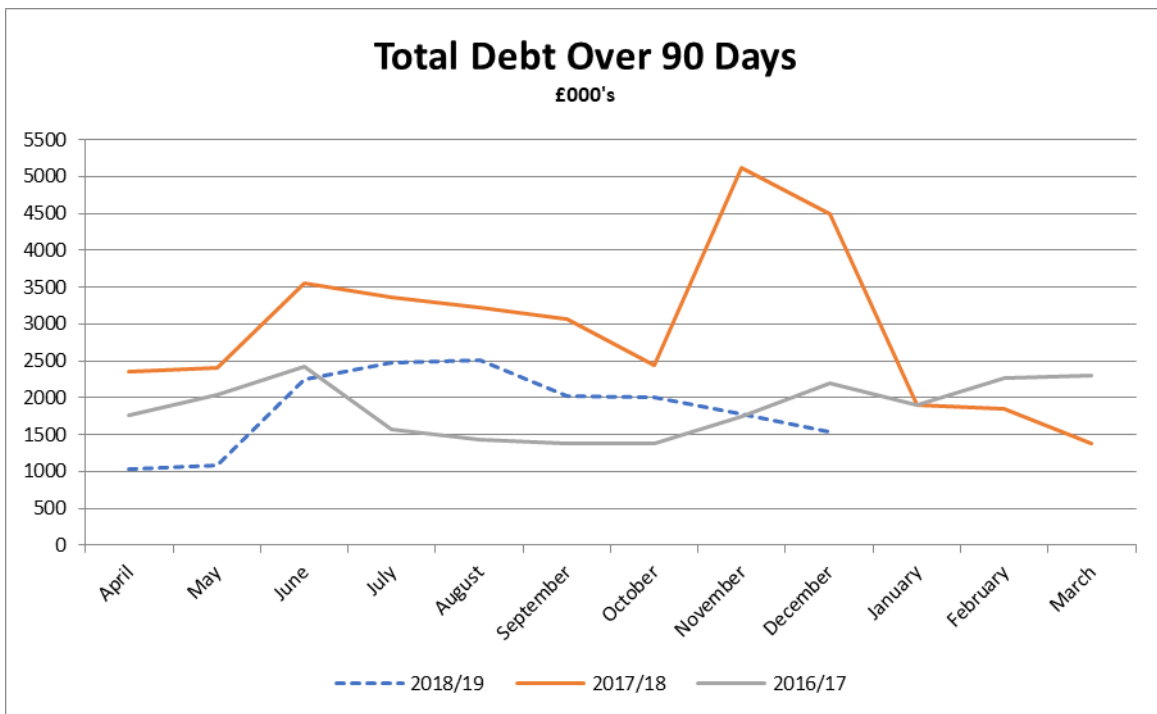
Services’ total outstanding debt reported on the Accounts Receivable system stood at **£12.833m** as at 31 December 2018. This compares with a figure of £10.444m as at 31st December 2017, and £6.812m, which was the 31st August 2018 figure in the last report to Audit Committee.

The percentage of debts over 90 days as at 31st December 2018 was **12.00%**, which represents a significant improvement on 31st December 2017 which stood at 43.51%, and 36.49%, which was the 31st August 2018 figure in the last report to Audit Committee.

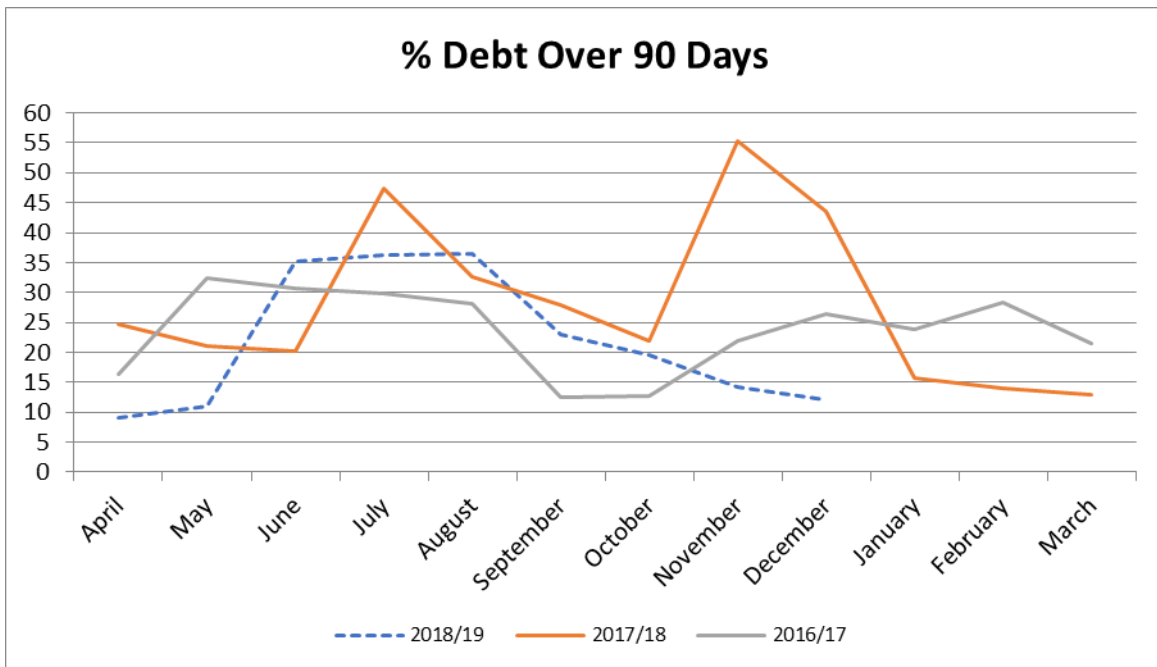
The graph below shows the total debt outstanding over the last 2 years plus current year. The total debt figures for 2018/2019 (the dotted line) show that the amount of debt outstanding has risen steadily since the last report to Audit Committee, although raising more debts is not a concern provided they are being collected promptly.



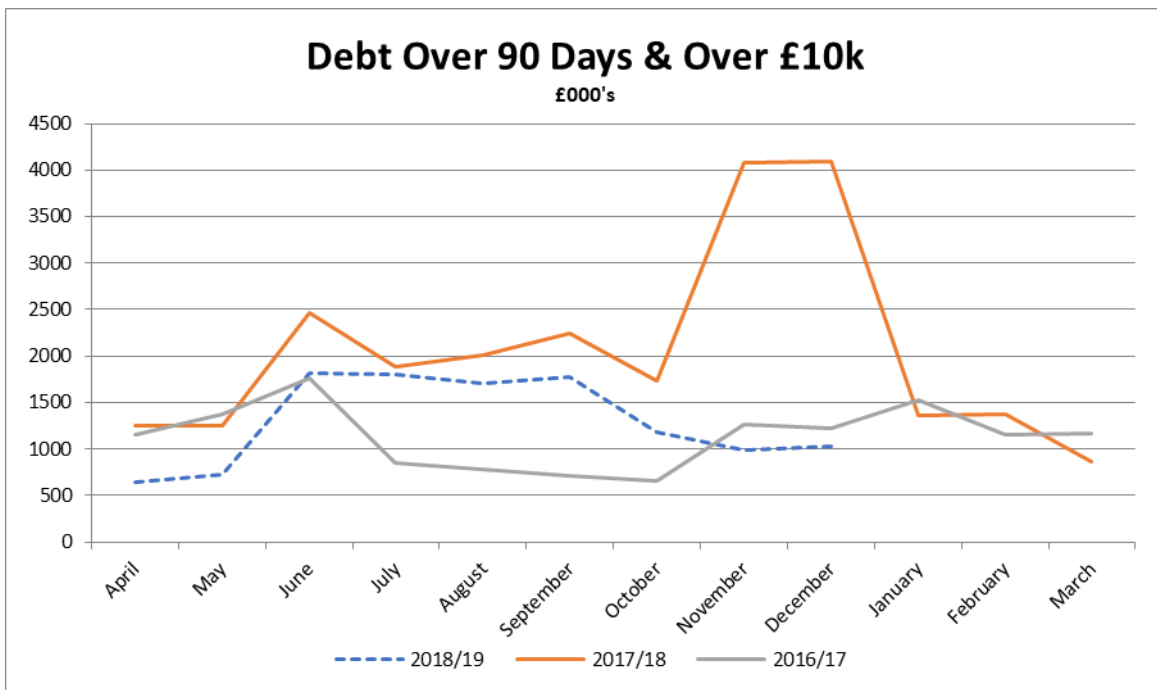
The graphs below show that the total debt over 90 days has steadily decreased over the previous period, from £2.518m at the end of August 2018, to £1.540m at the end of December 2018, a reduction of 38.84% on the previously reported figure.



Therefore, as a result, the percentage of total debt over 90 days, has decreased since August, and is now below the 15% figure (established when Somerset was part of a local authority benchmarking club on debt), which is generally taken to be the sign of strong performance, and was previously agreed with Audit Committee as the local target.



A further test is to consider debts over 90 days and over £10,000, which are higher risk in that they are both elderly and significant. This has also improved since last reported, and the third quarter of 2018/2019 went in the opposite direction to each of the 2 previous years, where performance declined (markedly in 2017/2018).

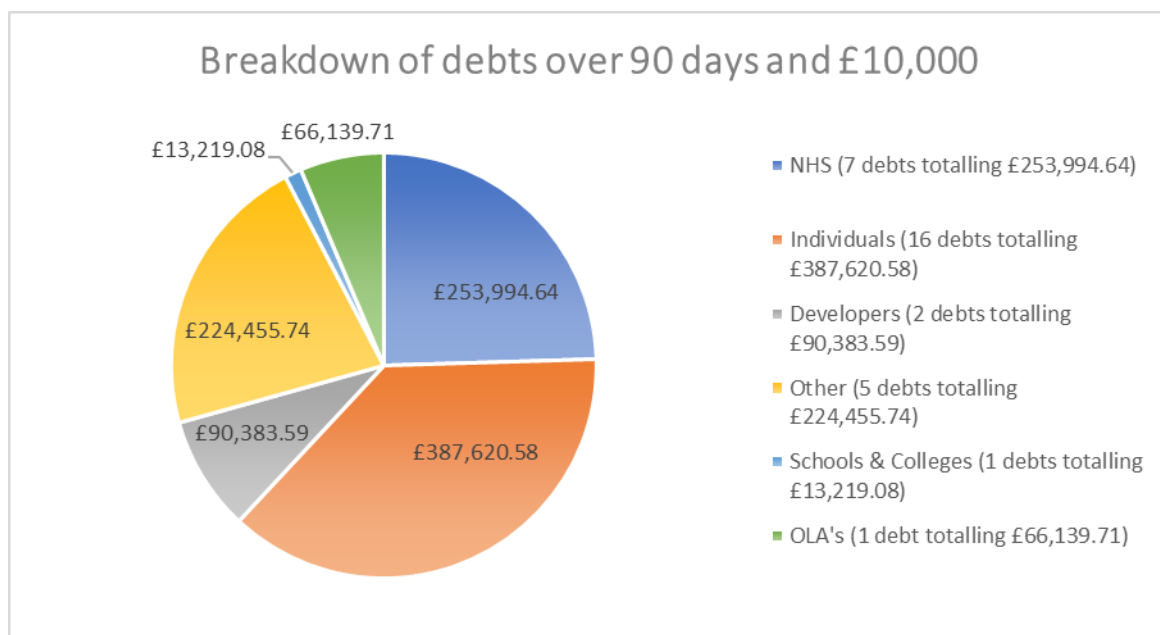


3.2. Breakdown of larger debt figures

There was a total of **32 debts** that are both over 90 days old and over £10,000 in value as at the end of December 2018, (5 of which are between 91 and 97 days old). The number of large, older debts has remained relatively low in recent months, the figure was as high as 94 prior to the launch of the Income Code of Practice in November 2017.

The breakdown of these debts is very similar to August 2018, with debts from individuals remaining the largest both in terms of numbers and in terms of value. Many of these are complex, sometimes involving the estates of deceased former care receivers. NHS debts remain well below levels experienced at this time last year, when they were often in excess of £1m. Members will recall that there are improved processes in place with the NHS, with a portal between us to ensure that the debt information reaches the right person to speed up payment.

The other significant improvement since the last report to Audit Committee has been the reduction on developer debt, which is under 10% of the total at the end of August 2018.



Members can be assured that all these debts are being pursued appropriately.

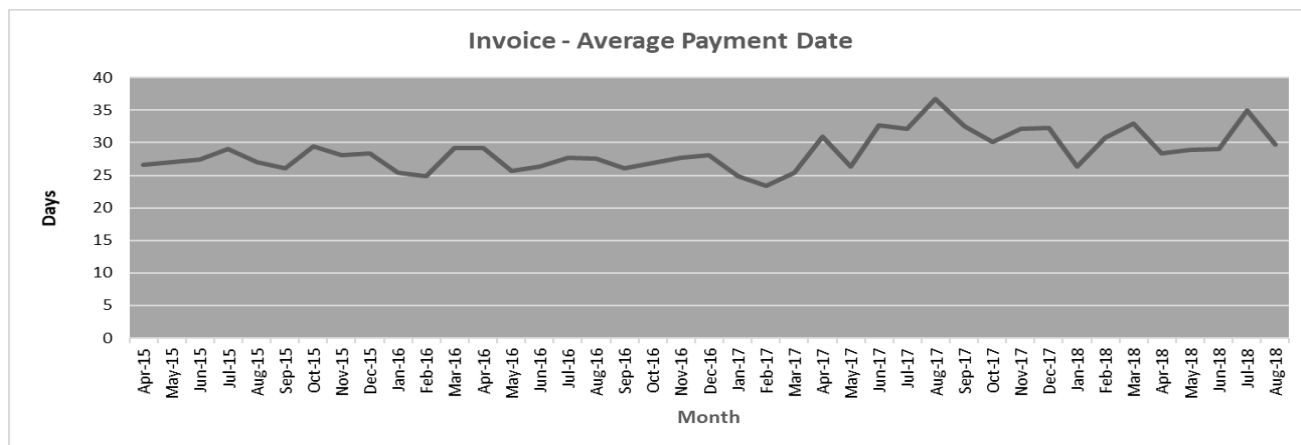
A review of the smaller value of debts over 90 days old reveals that the types of debt remain consistent with previous analyses – provision of care, utilities (such New Roads and Street Works), transport provision, library charges and services provided, (such as Scientific Services), some Property charges.

The Legal Debt Recovery Officers are still confident 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 August 2018 (N.B. this a snapshot position on a month by month basis and not cumulative).

March's figure is 29.74. This figure has hovered around the 30 days mark since the worst position was reported in August 2017.



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.

3.4. Recent Accounts Receivable audit from SWAP

SWAP is about to finalise its 2018/2019 Accounts Receivable audit. This is still going to offer only Partial Assurance. This is disappointing given that the Income Code of Practice has been in force for over a year, and that Accounts Receivable staff have provided significant training to Debt Chasers, often tailored to specific services' needs.

Despite this, the auditor does not consider any of the recommendations made to be highest priority.

The main concern raised is that services and their Debt Chasers are still failing to deliver the actions required under the Income Code of Practice in a prompt and on-going manner. (The Accounts Receivable staff have previously focussed their training and guidance efforts to services that have been non-complaint).

The audit considers the need for further training, emphasising that the Code is mandatory and recommends including an escalation route for ongoing non-compliance.

Once the audit is finalised, it will be brought back to the Audit Committee as part of the Partial Audits assurance process, alongside a review of the Income Code of Practice.

4. Consultations undertaken

- 4.1 Debt management is considered regularly at the Finance Management Team meetings. Debt is also regularly reported to Cabinet as part of Budget Monitoring.

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