

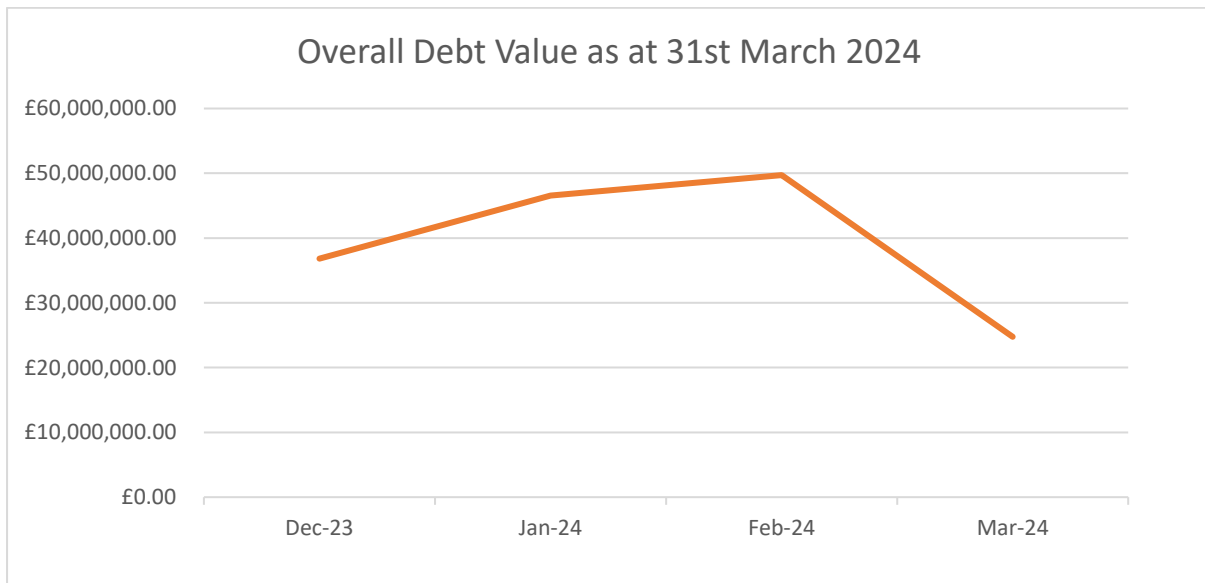
# Appendix 1 – Sundry Debtor Monitoring Outturn Position 2023/24



Audit Committee Meeting Date – 30<sup>th</sup> May 2024

## Outturn Position 2023/24

1. As of 31st March 2024, the total outstanding debt reported on the Accounts Receivable system stood at £28.5m. This compares to £54.3m as at 31st January 2024.
2. Of that £28.5m, £4.7m is secured under Debts to Accrue, and £9.7m is owed by the NHS, leaving general aged debt at £14.1m.

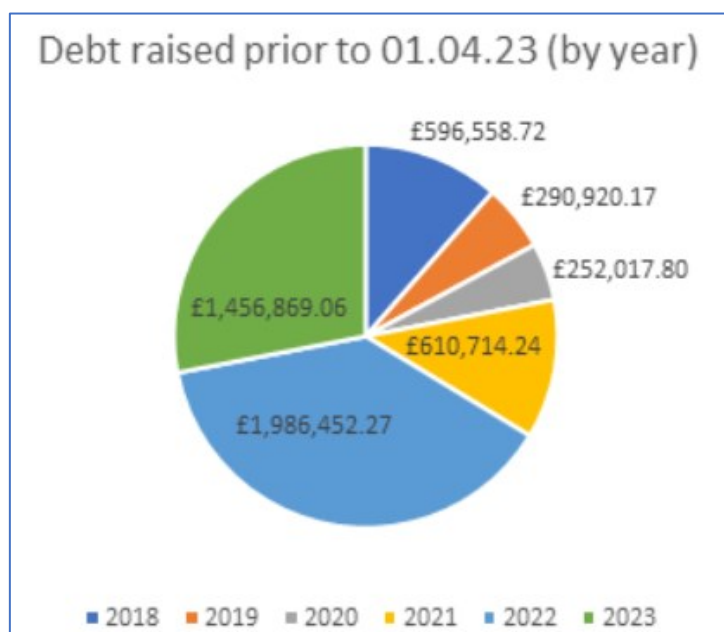


3. Pre-vesting, the legacy Council's typical sundry debt values for 2022/23 were:

	Q1 22/23 £m	Q2 22/23 £m	Q3 22/23 £m	Q4 22/23 £m	Closing Pre- Vesting Balance £m
Legacy Mendip	1.3	1.3	1.3	1.0	1.3
Legacy Sedgemoor	4.5	3.5	3.1	3.2	3.2
Legacy SCC	7.6	16.2	9.0	12.3	13.3
Legacy SSDC	2.6	2.0	2.2	2.5	2.4
Legacy SWT	0.9	1.1	1.7	1.0	1.4
	16.9	24.1	17.3	20.0	21.6

4. Based on these levels, between £16m - £24m would be considered a "typical" value of sundry debt for Somerset Council.

5. Of the £23.8m outstanding (excluding Debts to Accrue) as at 31st March 2024, £5.2m was raised pre-vesting on 1st April 2023. The £5.2m is broken down as below:



### Debt Monitoring & Recovery - key explanations, actions & mitigating controls

6. As debt recovery was on hold between April to October 2023, with the first reminders despatched on a phased approach and completed by mid-December 2023, the peak of overall debt to £50m was at the higher end of what we would

consider normal. A focussed effort during quarter 4 has brought the debt at 31/03/2024 to a more reasonable level.

7. The transition of five Council's into one, along with the implementation of a new finance system has caused some unavoidable delays in both services ability to actively debt recover, but also to allocate and monitor their unrecoverable debt and write off accordingly. When the decision was taken to implement a new Financial System from April 2023, delays in this area were forecast given the speed of the implementation and the challenge of consolidating the data.
8. The Accounts Receivable and Debt Monitoring and Recovery teams are currently working to address this and are in the process of actioning the below:

8.1. Writing off all balances under £5.00 as a housekeeping exercise.

8.2. Addressing the over £10k of low value invoices/invoice balances between £5.00 and £30.00. Services will be advised that any invoices pre-dating vesting should be written off using normal procedure, and those that post-date vesting require 7-day letters in accordance with Income Code of Practice, with write off to follow promptly if payment not received.

8.3. Addressing the over 1300 invoices totalling over £85k with balances between the values of £30.01 - £99.99. Services will again be advised that 7-day letters are to be sent for these and promptly written off if payment not received as they fall below the referral threshold for further action.

Approximately £95k total of these low value invoices is not considered unrecoverable debt due to it being unenforceable, but instead that individually the time and resource required to adequately chase it (and the additional cost to issue Court proceedings and enforce those if necessary), is disproportionate to the value of debt, so these write offs will be classed as "not cost effective to pursue".

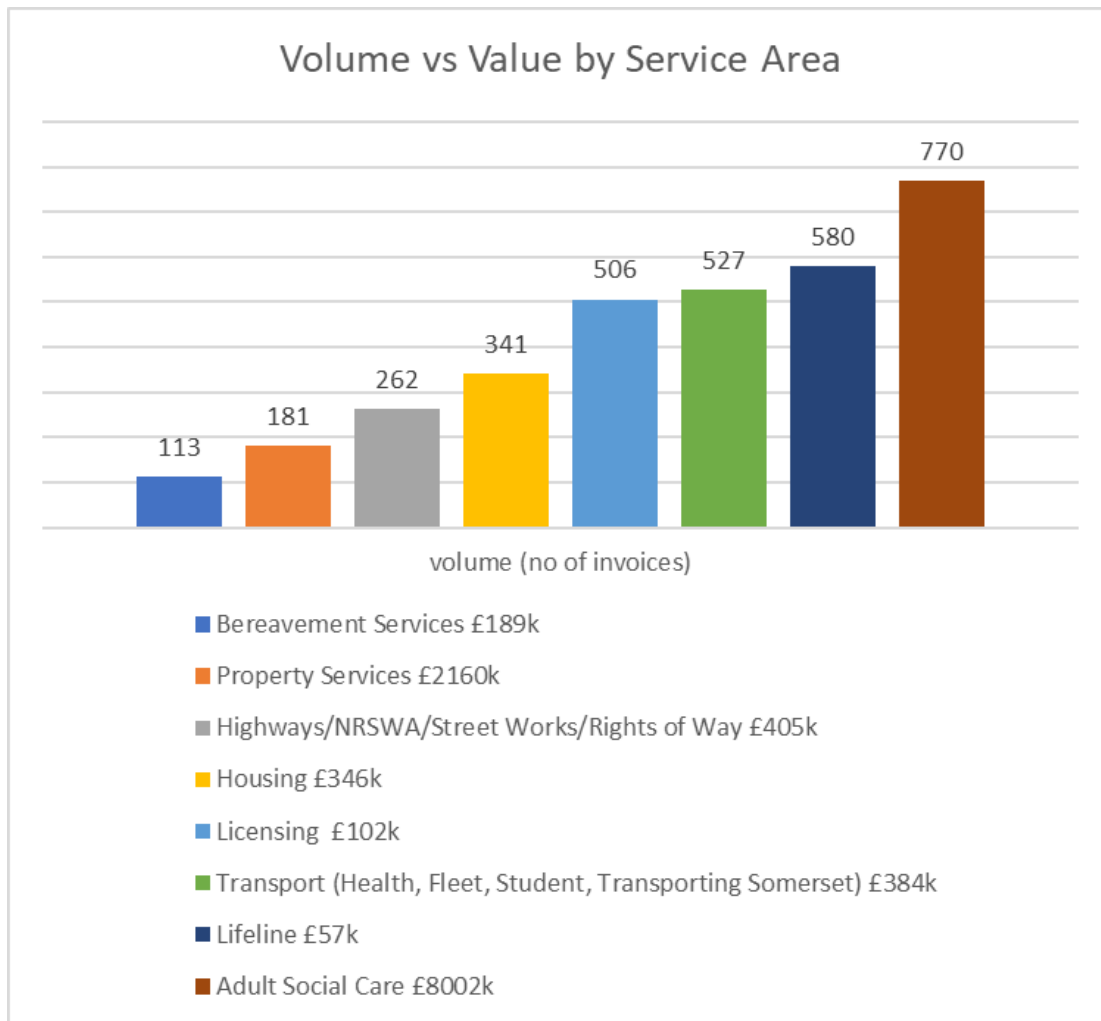
9. Actions and controls over the past 6 months:

9.1. New Aged Debt Report through Power BI and D365 data became available in December 2023 to enable services to monitor their debt.

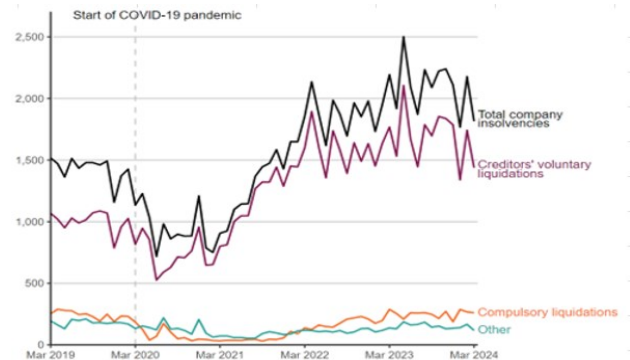
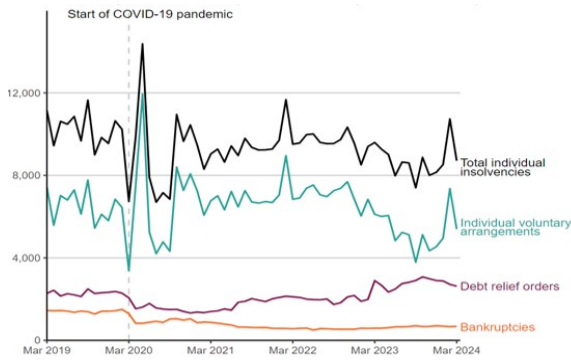
9.2. The second phase of invoice reminders were sent in February 2024, progressed to running weekly, and now run daily. As such all invoices have

now had their relevant automated reminders (aside from those on Billing Classifications with multiple reminders and/or large time periods between reminders).

- 9.3. All new invoices raised will receive reminders without delays. Accounts Receivable and Debt Reporting and Monitoring are undertaking a review of the automated reminders frequency, timing, and wording, with a view to condense the classifications and processes where possible and appropriate.
  - 9.4. With reminders being sent, the staff responsible for chasing debt are now required to send out 7-day letters to all customers whose invoices remain outstanding. This is in line with the Income Code of Practice.
  - 9.5. Internal comms were sent to all D365 users detailing this on 5th February 2024 along with the relevant templates and guidance. Income Code of Practice is a pre-existing procedural document, which is now being updated to include all types of sundry debt from all Legacy Councils. The revised version and accompanying e-learning module will be available following approval at a future Audit Committee.
10. Services are responsible for monitoring and chasing their own debt (up to the point that it requires referral to the Debt Monitoring and Recovery Team). For context, please see below for a table with the majority of service areas against the residual £14.1m, along with both the value and volume of their aged debt:



11. As shown, some areas have a high volume of low value debt, e.g. Lifeline, where the average invoice value is less than £100.00. In contrast to areas such as Adult Social Care, where invoices are commonly raised for several million.
  
12. In terms of debt security, and what areas are most vulnerable to non-payment, it remains significantly more likely an individual will declare insolvency of some kind than a company or business. Tables below from the Office of National Statistics show insolvency rates for individuals and companies over the past 5 years, with January 2024 showing the highest rate of total individual insolvencies since 2022.



13. Since becoming a Unitary Authority, there is now also an increased likelihood that debtors will have outstanding balances in multiple areas, and as such insolvencies affect more services across the Council.
  
14. When attempting to recover debt, unsurprisingly due to the cost-of-living crisis and ongoing increased interest rates and energy costs, it is becoming more difficult. According to the Office of National Statistics, in their most recently reported quarter (Oct to Dec 2023), the national number of money Claims issued were up 13% from 2022, and up 11% from the previous quarter, with over 89% of Claims being issued nationally in the County Court being money claims.
  
15. When Somerset Council issue Court Proceedings against a debtor, we do so after Income Code of Practice compliance has been ensured, and after a Pre-Action Protocol compliant Letter Before Action has been sent to the debtor allowing them 30 days to pay or engage with us to reach resolution, so it is not undertaken lightly. Once Proceedings are issued, County Court Judgment (CCJ) will be entered in the majority of cases, unless full payment is received or an instalment plan established.