



**Epping Forest
District Council**

Sundry Income & Debt Policy

Version 5 – September 2011
for FPMCC 26 September 2011

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- 1 Introduction
- 1.1 This Policy is known “The Sundry Income & Debt Policy” and covers the collection of sundry debt due to Epping Forest District Council.
- 1.2 It is the Council’s policy to recover all collectable debt owed to it. With this overall objective in mind this policy aims to:
 - a) Maximise the Council’s Income
 - b) Reduce the time taken to collect charges
 - c) Reduce the level of debt owed to the Council and hence its provision for bad debts, and
 - d) Reduce the incidence of debt that cannot be collected.
- 1.3 This Policy supports these aims by:
 - a) Promoting ownership of debts by service providers
 - b) Ensuring wherever possible that collection of the fee or charge involved takes place prior to the service being provided so that credit is only given when it is essential to do so
 - c) Promoting a system of active credit control
 - d) Ensuring invoicing procedures are carried out on an accurate and timely basis
 - e) Requiring that evidence to support the invoice exists in the form of an order or other written contract
 - f) Encouraging debtors to pay promptly, and
 - g) Making collection and enforcement activity more efficient.
- 1.4 The Policy aim is to achieve the following rates of collection in terms of both numbers and value of invoices:
 - a) 70% of debt to be collected within 42 days of the invoice being issued
 - b) 75% of debt to be collected within 60 days of the invoice being issued.
- 1.5 The Senior Finance Officer will review the targets given above each year and report on performance to the Finance & Performance Management Cabinet Committee.
- 1.6 The Council will publicise the fact that it has this policy and that it intends to pursue the collection and recovery of all debts owed to it.

2. **Exclusions**

- 2.1 The following areas are excluded from this policy as they are subject to their own legislation / regulations:
- a) Council Tax
 - b) National Non Domestic Rates
 - c) Housing Rents
 - d) Housing and Council Tax Benefits Overpayments
 - e) Parking penalties
 - f) Rent deposit loans

3. **Key Objectives of Fees and Charges**

- 3.1 The fee or charge imposed by the Council should be fair in relation to the goods and/or services provided.
- 3.2 The charge should reflect the principles outlined in the appropriate charging policy and in the Council's Financial Regulations.
- 3.3 The charge should, depending on legislation, always at least cover the cost of providing the goods or service and the costs of collection, unless the Council has taken a policy decision to subsidise the service.
- 3.4 The charge should wherever possible be obtained in advance of the goods and/or services being provided. If not, and where appropriate, the prior written agreement of the person receiving the goods and services should be obtained to pay for the goods and/or service.
- 3.5 The charge should be collectable.
- 3.6 Fees and charges must be reviewed at least annually.
- 3.7 There should be a clear and prompt billing and collection process.
- 3.8 There should be a clear and consistent council-wide approach to the giving of credit and the collection of debt that is led by this policy.
- 3.9 There should be a system that ensures Services only retain credit for an invoice if the income is actually collected.

4. **Responsibilities**

- 4.1 Directors must ensure that:
- a) Financial Regulations in relation to the collection of sundry debt are adhered to

- b) The parts of this policy that apply to their service are correctly followed
- c) They proactively support the achievement of corporate targets for debt collection
- d) Budget Managers are fully appraised of their responsibilities
- e) Relevant systems and procedures are put in place
- f) Staff involved in the debt collection process are appropriately trained, and
- g) The successfulness of training is kept under continuous review.

4.2 The Director of Finance & ICT is charged with the responsibility of providing central support and the relevant electronic processes needed to ensure this policy can be adhered to.

5. **Invoicing**

5.1 Services are responsible for raising invoices in respect of the goods and/or services they supply on credit.

5.2 An invoice should be raised within 10 working days of the goods and/or services being supplied.

5.3 Services should ensure that the names and addresses of the debtors are up to date and correct.

5.4 Amounts due to the Council should not generally be held in holding accounts. However, where it is unavoidable for a holding account to be used then that account must be cleared on not less than a 10 working day cycle.

5.5 An invoice should not be raised:

- a) For less than £10, unless it is a statutory charge (Fees and charges below this level should be collected in advance by other methods.)
- b) If an order (or equivalent) has not been received
- c) When it cannot be proven that the goods and/or services have been supplied
- d) When the amount due is not still owed
- e) If a debt is already bad or doubtful
- f) Where a potential debtor fails to obtain credit limit approval, or

g) Where a previous invoice for the same goods or service has already been credited.

- 5.6 For periodic charges, a direct debit should, wherever possible, be set up in advance of the service being provided.
- 5.7 An invoice must not be raised to provide a hidden subsidy.
- 5.8 An invoice must not be raised to artificially enhance income targets.

6. **Payment Methods**

Invoices can be paid by all of the following methods:

Cheque

Direct Debit

Debit/Credit card

Standing order

BACS/Faster Payment Service (FPS)

Cash

Remote payments can be made by either:

- a) Telephone
- b) Internet

7 **Credit Limits**

- 7.1 For goods and/or services being supplied and costing over £10,000 a credit check must be run on all customers except those in the public sector.
- 7.2 Credit must not be given to previous customers who have been consistently late payers or have not paid at all.
- 7.3 Preferential credit limits must not be agreed for any customer.

8. **Credit Terms**

- 8.1 The Council should aim to collect monies owing to it fully and promptly.
- 8.2 Payment terms should only be granted where the debtor is not able to settle the debt in full in one payment. On receipt of an invoice a debtor can make arrangements to clear the account by weekly, fortnightly or monthly instalments. These payments should be by

direct debit wherever possible.

- 8.3 Only Legal Recovery and Central Debtor Teams can arrange payment terms with the debtor.
- 8.4 The Central Debtors Team should consider withdrawing payment terms if a debtor fails to honour the agreement entered into.
- 8.5 The following table should be used as guidance when arranging credit. However, no terms can be agreed over twelve months.

Value	Terms (from date of invoice)
Debts below £500	No more than 3 months
Debts below £1,500	No more than 6 months
Debts below £2,500	No more than 9 months
Debt above £2,500	No more than 12 months

- 8.6 In order for a debtor to receive more than 3 months credit, a detailed income and expenditure sheet should be completed for their case to be considered. The Senior Finance Officer should be consulted on all these cases.
- 8.7 The Senior Finance Officer must review the monetary values contained in this section on an annual basis. When it is considered that those values should be changed the new figures shall only apply once the Director of Finance & ICT has agreed them in writing.

9. **Accounting Arrangements**

- 9.1 The Service will receive the credit when an invoice is raised.
- 9.2 If the invoice is paid within 60 days the Service will retain the credit.

10. **Collection**

- 10.1 A written reminder should be sent for all invoices unpaid after 21 days.
- 10.2 If after a further 7 days (i.e. 28 days from the date of the invoice) the account is unpaid a final reminder notice should be issued.
- 10.3 If after a further 7 days (i.e. 35 days) the account is unpaid a letter before action letter should be issued.
- 10.4 After a further 7 days (i.e. 42 days) if an invoice is still outstanding it should be passed to Legal for county court action for debts over £100 or referred to a debt collection agency for debts below £100.

- 10.5 If an invoice of £2,500 or more is unpaid after 34 days (the service will receive a task on AIMS advising that the debt remains outstanding) a telephone reminder should be made to the debtor by the relevant Service to confirm receipt of the invoice and to identify any queries relating to it. In cases where it proves difficult to make contact with a private individual during normal working hours telephone calls should also be made between 6pm and 8pm Monday to Friday.
- 10.6 The Council should employ a debt collection agency to deal with a value less than £100 that remain outstanding after 42 days.
- 10.7 Performance of the debt collection agency will be monitored by the Senior Finance Officer.
- 10.8 Recovery action can be halted at any part of the process if the debtor enters into payment terms to clear the debt by instalments.
- 10.9 Recovery action can be halted at any part of the process if the originating Service decides not to pursue recovery for the good of the service. When this happens the originating Service must bear the cost. Any adjustment to the amount invoiced must be requested by submitting a write off request to the Central Debtors Team by the Director.
- 10.10 Only Legal Recovery and Central Debtor Teams can arrange payment terms with the debtor.
- 10.11 The debt recovery procedure can be seen at Appendix A.

11 **Queries and Disputes**

- 11.1 If there is a dispute the Service that raised the invoice must attempt to resolve the matter within 30 days of the dispute being registered.
- 11.2 The Senior Finance Officer will monitor accounts on hold on a quarterly basis

12 **Litigation**

- 12.1 All debts outstanding above £100 should be referred to Legal with the necessary documentation being provided by the service.

13 **Credit Notes**

- 13.1 In conjunction with financial regulations there must be a clear distinction between raising a credit note and writing off a debt.
- 13.2 A credit note to cancel or reduce a debt must only be issued to:

- a) Correct a factual inaccuracy
 - b) Correct an administrative error
 - c) Process a discount granted by the Director where the account was originated.
- 13.3 Only authorised staff at the discretion of service managers should issue credit notes.
- 13.4 A credit note should only be issued when the credit request memo is signed by an authorised signatory and an explanation for the credit note is stated in every case.

14 **Write Offs**

- 14.1 All write offs need to adhere to the Council's Write Off Policy for Sundry Debts. This can be seen at Appendix C.
- 14.2 The following officers have delegated powers to write off bad debts as follows:
- a) Director of Finance & ICT for debts under £2,500
 - b) Finance & Economic Development Portfolio Holder for debts of £2,500 and above.

15 **Interest Loss**

- 15.1 If it is evidenced that any action by a Service leads to a significant detrimental effect on the Council's cash flow by not following this policy, the Director of Finance & ICT should consider imposing a charge on that service equivalent to the lost interest incurred.
- 15.2 A loss of £500 should be considered as being significant.

16 **Debt Management**

- 16.1 The following data should be used to monitor performance against targets and timescales set for each Service:
- a) Level of debt
 - b) Level of irrecoverable debt provision
 - c) Number of days debts are outstanding – “debtor days” for invoices raised within the preceding 12 months
 - d) Number of days debts are outstanding – “debtor days” for all invoices

- e) Number and value of disputed accounts and those where action is on hold
- f) Percentage of debt by number and value collected in 42 days
- g) Percentage of debt by number and value collected in 60 days
- h) Aged debt analysis by value, and
- i) Analysis of write offs by income section and age

17 **Monitoring**

17.1 The Senior Finance Officer is authorised to:

- a) Carry out the central monitoring of this policy,
- b) Agree amendments to the policy for operational, efficiency and effectiveness purposes,
- c) Report to Finance & Performance Management Cabinet Committee any major issues arising from the above.

18 **Review**

18.1 The Policy once approved and implemented will be subject to an annual review.

1 FINANCE RECOVERY

1.1 When an invoice is being raised the recovery profile is defaulted to 'New Debt Recovery' (code being 'DR'). This recovery profile should be used for all invoices except for Estates, this being 'ES' (Estate Debts). If the debt is for an employee of the Council then recovery profile should be 'SD' (Staff Debts).

1.2 The recovery profile dictates the set of events. The flow chart of each of these profiles can be seen at Appendix B.

1.3 During any stage of the finance recovery:

- a) If full payment is received, the debt is closed;
- b) If an offer to pay in instalments is made, Finance will be responsible for setting up and monitoring the payments. Before the arrangement is agreed the debtor will need to sign and return one copy of the agreement;
- c) If the debtor breaches the agreement they will receive one reminder letter. If a further breach of the agreement is then made, the agreement will be terminated and passed back to the service for them to instruct legal to take action (copy of the agreement should be forwarded to the service)
- d) If the debtor disputes the debt, before it reaches Legal, Finance will refer this to the service to resolve. Finance will put a hold (up to one month) on collecting the debt until the service informs Finance with what action to take i.e. resume; cancel; adjust the debt.

2 LEGAL RECOVERY

2.1 Whilst the debt is with Legal:

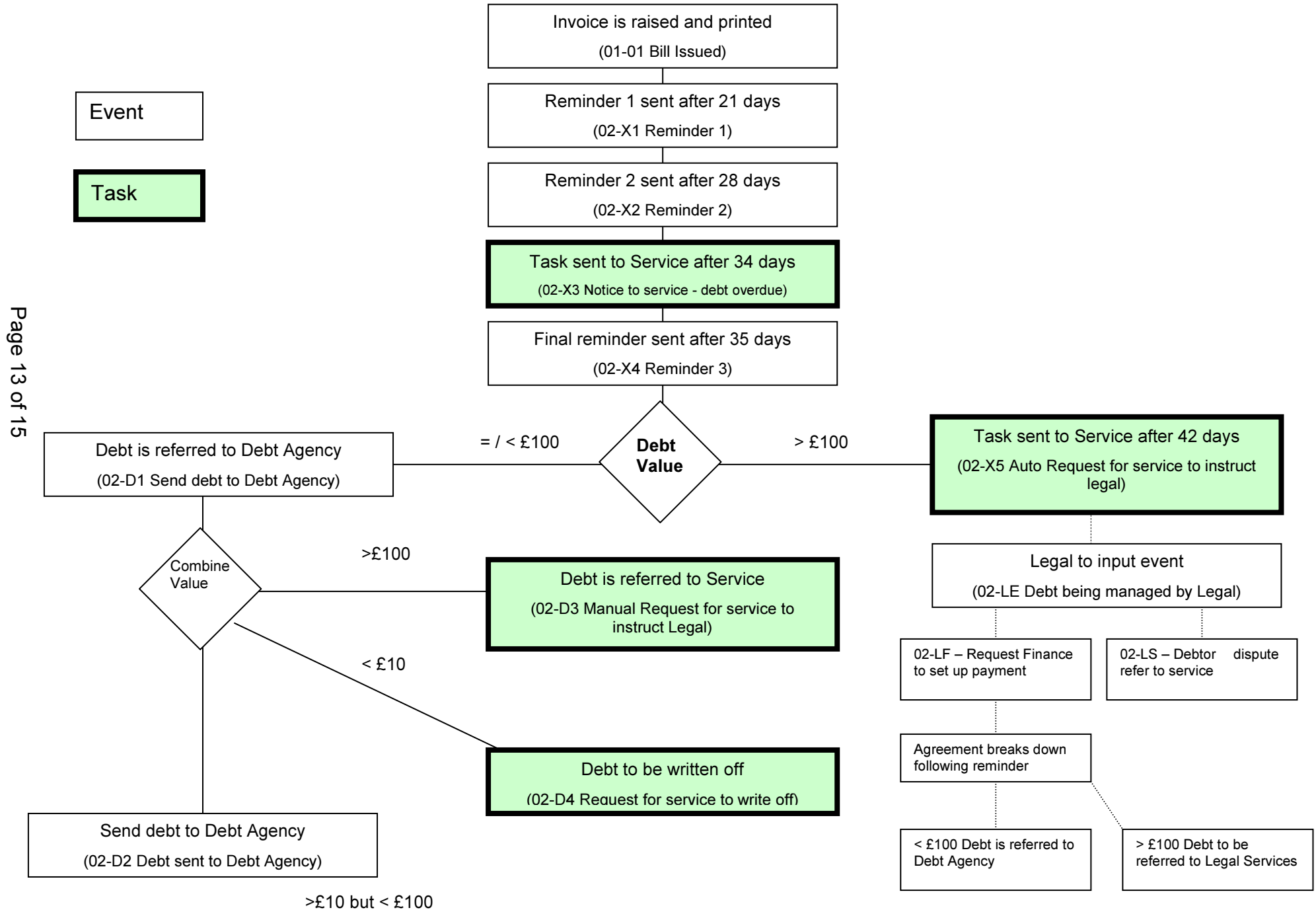
- a) If the debtor asks to make arrangement to pay the debt, Legal will negotiate the arrangement and Finance will set up the arrangement. The arrangement will then be monitored by Finance and Legal will close their file. If the arrangement is breached after one reminder Finance will refer the debt back to Legal to re-open the file.
- b) If the debtor disputes the debt, following Pre Action Protocol Letter, Legal will close the file and refer the debtor back to the Client Service.
- c) Legal WILL only re-open their file, if either Finance or Client Service request Court action to be continued and evidence is provided that shows that the dispute has been discussed with the debtor.

- d) If the debtor raises a Defence following the service of the Claim Form then Legal will not close their file, but liaise with the Client Service to receive instructions on how to proceed. Client Service must comply with any time limits imposed by Legal, as the matter will now be in the control of the Court and its timetable.

3 SERVICE RESPONSIBILITY

- 3.1 In order for all parties to keep up to date with the latest developments services should arrange regular meetings with Legal and Finance.
- 3.2 Services will receive the following monthly reports from Finance and Legal. It is the service responsibility to review these reports and to take action on all necessary debts.
 - a) Aged debt reports – this will show the amount in value and numbers outstanding by period
 - b) Debts to be referred to Legal – this will show the debts where the client service has not yet instructed legal to take Court action against the debtor
 - c) Debts placed on hold – this will show the debts where they are put on hold until the service informs Finance of the outcome
 - d) Listing of cases currently being managed by Legal and where they are with each case
 - e) Any other specific report to a client

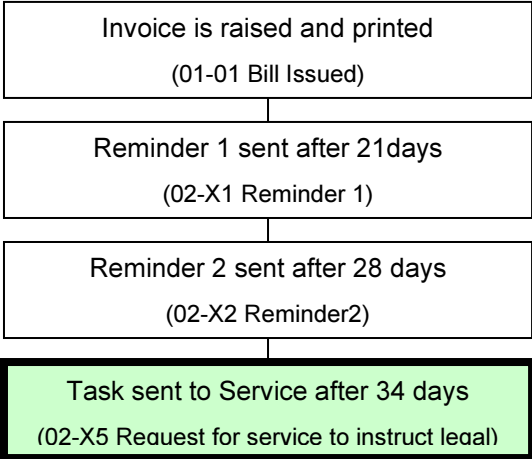
Recovery DR = New Debt Recovery



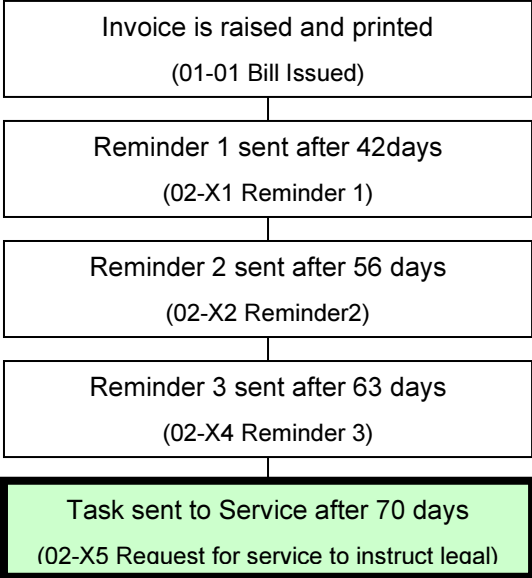
Event

Task

Recovery SD = Staff Debts



Recovery ES = Commercial Rent



Event	Action	Timescale to achieve action
On receipt of instruction from service	Legal will check the evidence received and if correct will enter on AIMS that the invoice is now being managed by Legal. Proof of address is obtained and a Pre-Action Protocol Letter is sent giving 7 days to pay.	10 working days
8 th Day after Pre-Action Protocol Letter sent	Legal to issue Court Proceedings, if no contact has been made by the debtor.	10 working days
Day 15 after issue of proceedings	If no response is made by the debtor. Legal will obtain Judgment.	10 working days
Once Judgment is obtained	Legal will take the appropriate action to recover the debt through discussions with the originating service where necessary.	10 working days

1. General

- 1.1 It is Epping Forest District Council's aim to collect all outstanding charges from debtors wherever possible, provided that it is cost effective. However, this may not be possible due to the circumstances of some cases, these are listed below.

2. Purpose of this Policy

- 2.1 To describe the circumstances and authorisations when debts are considered as non-recoverable.

3. Types of Debts not covered by the Policy:

- 3.1
- a) Council Tax;
 - b) National Non-Domestic Rates;
 - c) Housing Rents;
 - d) Housing and Council Tax Benefits Overpayments; and
 - e) Parking penalties

4. Circumstances where the debt may be non-recoverable

- 4.1
- a) Debtor has absconded and cannot be traced;
 - b) Debtor / company is insolvent i.e. Bankruptcy, Liquidation and Administrative Receivership cases;
 - c) Debtor deceased and there is no estate;
 - d) Debts where all or part has been remitted by the Magistrates Courts due to hardship;
 - e) Small debts under £10 and other small non-recurring debts which are uneconomical to collect;
 - f) Debts where a company has ceased to trade leaving no assets;
 - g) Debts that cannot be legally enforced.
 - h) Debt Relief Orders

- 4.2 In some cases further action may be required before the amount is written off, such as referring the debt to a Tracing Agency

5. Write Off and Reporting

- 5.1 Where any of the above criteria are satisfied then the balance outstanding will be considered for write off.
- 5.2 The service that raised the debt will need to request the write off, providing the following information and signed by the delegated person detailed on the authorised signatories list:
- a) Name of Debtor;
 - b) Reason for the write off;
 - c) Amount to be written off;
 - d) Recovery history;
 - e) Details of any traces / enquiries carried out; or
 - f) Agreement by Legal Services
 - g) Any other relevant information.
- 5.3 A write off list will be submitted and reconciled every 3 months by the Senior Finance Officer.
- 5.4 The Director of Finance & ICT has delegated power to write off individual debts of up to £2,500.
- 5.5 The Finance and Economic Development Portfolio Holder must approve the writing off of any debt in excess of £2,500.
- 5.6 Should a debtor be traced then the debt will be re-instated to enable recovery action to continue.