



**Epping Forest
District Council**

Sundry Income & Debt Policy

Version 1 – December 2006

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1 Introduction

- 1.1 This Policy shall be known as “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:
- Maximise the Council’s Income
 - Reduce the time taken to collect charges
 - Reduce the level of debt owed to the Council and hence its provision for bad debts, and
 - Reduce the incidence of debt that cannot be collected.
- 1.3 This Policy supports these aims by:
- Promoting ownership of debts by service providers
 - 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
 - Promoting a system of credit control
 - Ensuring invoicing procedures are carried out on an accurate and timely basis
 - Requiring that evidence to support the invoice exists in the form of an order or other written contract
 - Encouraging debtors to pay promptly, and
 - 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) 85% of debt to be collected within 42 days of the invoice being issued
 - b) 90% 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.
- 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:
- a) Council Tax
 - b) National Non Domestic Rates
 - c) Housing Rents
 - d) Housing and Council Tax Benefits Overpayments

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 Heads of Service 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 Head of Finance 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 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.
- 5.4 An invoice should not be raised:
- For less than £10, unless it is a statutory charge (Fees and charges below this level should be collected in advance by other methods.)
 - If an order (or equivalent) has not been received
 - When it cannot be proven that the goods and/or services have been supplied
 - When the amount due is not still owed
 - If a debt is already bad or doubtful
 - Where a potential debtor fails to obtain credit limit approval, or
 - Where a previous invoice for the same goods or service has already been credited.
- 5.5 For periodic charges, a direct debit should, wherever possible, be set up in advance of the service being provided.
- 5.6 An invoice must not be raised to provide a hidden subsidy.
- 5.7 An invoice must not be raised to artificially enhance income targets.

6. Payment Methods

Invoices should be able to be paid by all of the following methods:

Cheque
Direct Debit
Debit card
Standing order
BACS payment
Cash

- a) By telephone, and
- b) Via the 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 If the debtor requests that they would want the Council to take an exceptional view due to their financial circumstances. A detailed income and expenditure sheet should be completed for their case to be considered. The Senior Finance Officer should be consulted when exceptional cases are being considered.
- 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 Head of Finance 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. No internal invoice will be raised to the originating Service to meet costs of recovering the debt.
- 9.3 If the invoice is not paid within 60 days an internal invoice will be raised by the Central Debtors Team (this action will take place at the point the original invoice is paid). This will be issued to the originating Service requesting payment of 10% of the value of the original invoice to cover recovery costs incurred in collecting the debt.
- 9.4 The 10% contribution will be paid to Legal Services if the debt is being dealt with by Legal, or to Finance Service if the debt is being pursued through a debt agency.
- 9.5 In all cases the 10% contribution to costs arrived at by the calculation at 9.3 above shall be cash limited to a maximum figure of £3,000.

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 date of 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 Services 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 £5,000 or more is unpaid after 34 days (the service will receive a task on AIMS advising that the debt remain 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 two debt collection agencies with the workload being split in the ratio 60:40 between them.
- 10.6 Each year the Senior Finance Officer should review the performance of the two agencies and the best performing one should receive the 60% workload in the following year.
- 10.7 Once a case has been referred to the debt collection agency any payment arrangement the debtor enters into must be made directly to that agency.
- 10.8 If an account is referred for action to a debt collection agency and the case is then withdrawn, any fees incurred will be charged to the originating service.
- 10.9 Recovery action can be halted at any part of the process if the debtor enters into payment terms to clear the debt by instalments.
- 10.10 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 Head of Service.
- 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 35 days of the invoice being raised.

12 Litigation

- 12.1 All debts outstanding above £100 should be referred to Legal Services 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 Head of Service 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 The following officers have delegated powers to write off bad debts as follows:
 - a) Head of Finance for debts under £500
 - b) Finance & Performance Management Portfolio Holder for debts of £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 Head of Finance 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) Number of days debts are outstanding – “debtor days” for invoices raised within the preceding 12 months
- c) Number of days debts are outstanding – “debtor days” for invoices more than 1 years old
- d) Level of irrecoverable debt provision
- e) Aged debt analysis by value
- f) Analysis of write offs by income section and age
- g) Number and value of disputed accounts and those where action is on hold
- h) Performance monitoring of external agents
- i) Number and value of accounts in the different stages of the legal process
- j) Percentage of debt by number and value collected in 42 days, and
- k) Percentage of debt by number and value collected in 60 days.

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 regular 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 there is default on payment, a reminder letter is sent. If the debt remains outstanding the debt is passed back to the service advising them to instruct Legal to take Legal 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 on collecting the debt until the service informs Finance with what action to take i.e. resume; cancel; adjust the debt.

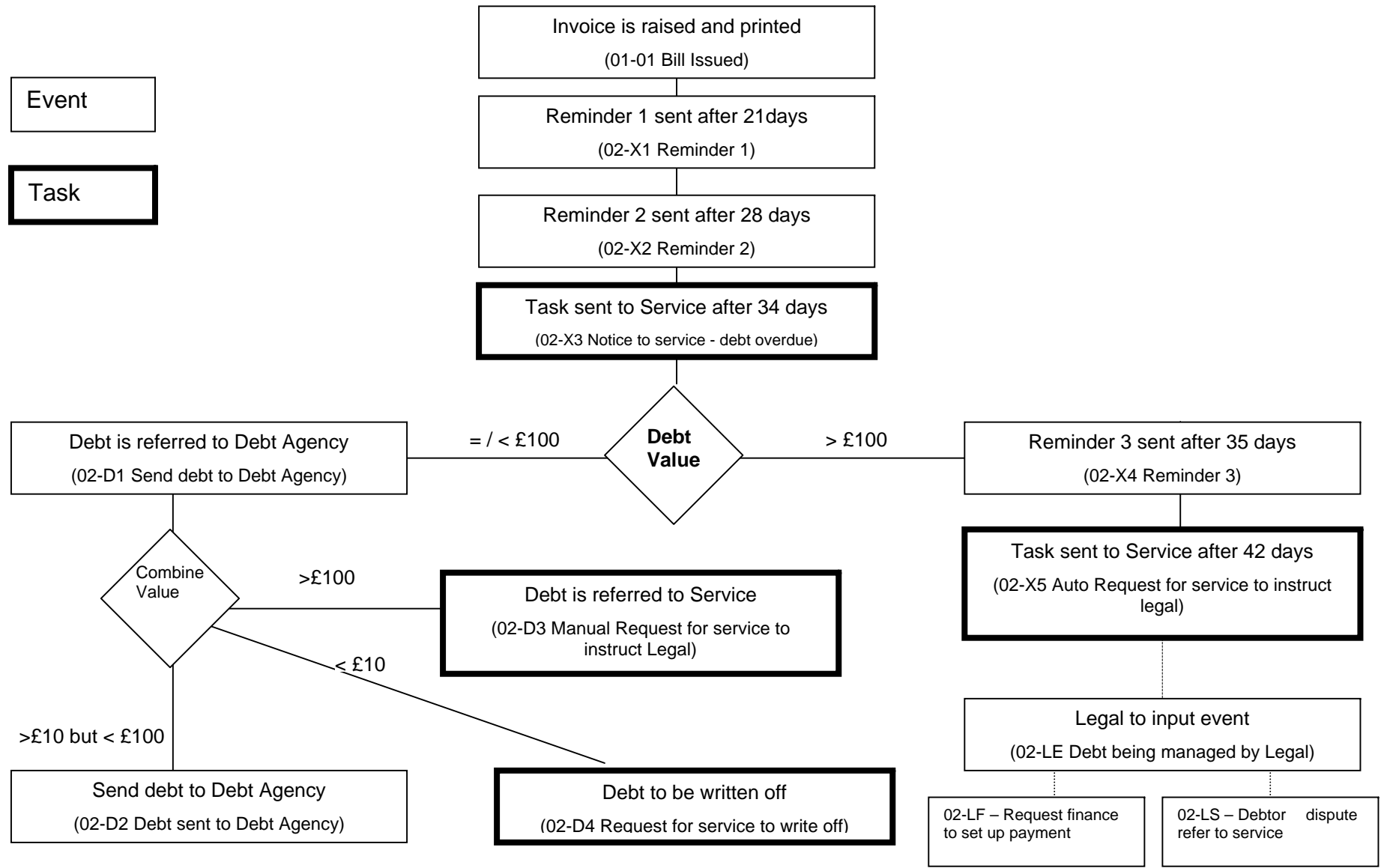
2 LEGAL RECOVERY

- 2.1 Whilst the debt is with Legal:
 - a) If the debtor asks to make arrangement to pay the debt, Legal will close their file and refer the request onto Finance.
 - 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 will have to comply with any time limits imposed by Legal, as the matter will now be in the control of the Court and its timetable.

3 MEETINGS AND REPORTING

- 3.1 In order for all parties to keep up to date with the latest development monthly / quarterly (depending on the service) meetings will be arranged between originating Service, Legal and Finance.
- 3.2 Legal will provide monthly listings on all their cases and where they are with each one to the client service and finance.
- 3.3 Finance will provide the following reports to client services on a monthly basis:
 - 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) Any other specific report to a client

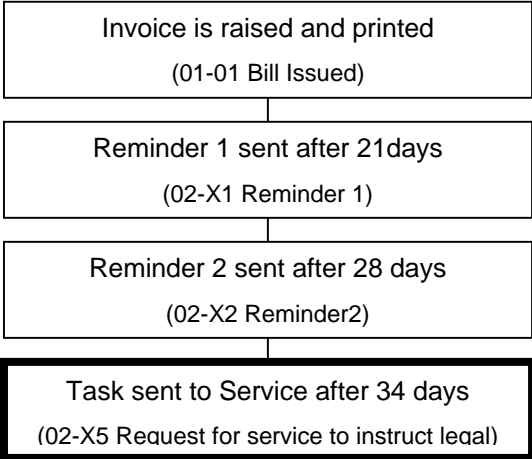
Recovery DR = New Debt Recovery



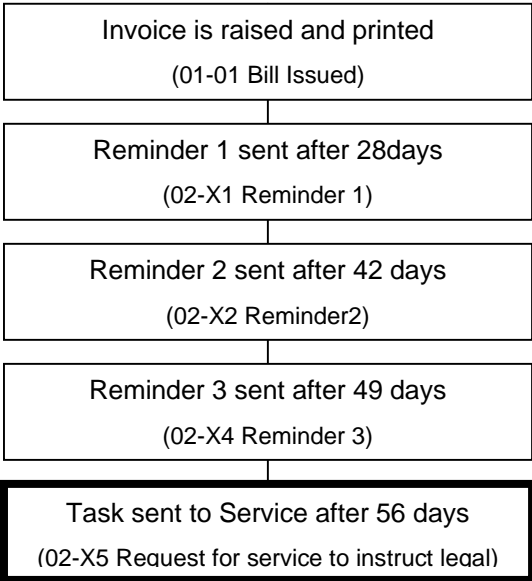
Event

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