



SUNDRY DEBT RECOVERY

FINANCIAL PROCEDURE 15

OWNER: Head of Financial Control

CODE OF PRACTICE
SUNDRY DEBT RECOVERY
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You should read this Code of Practice in conjunction with the Council's -

- Financial Regulations
- Revenue Budget Management Code of Practice
- Capital/Revenue Budget Notes of Guidance
- Code of Practice: Charging for Works, Goods and Services
- Code of Practice: Journal Preparation and Entry

EXTRACT FROM FINANCIAL REGULATION No. 4.6

Debt Recovery

Why is Debt Recovery important?

Outstanding debt needs to be recovered as quickly as possible otherwise service provision will be reduced.

The Chief Finance Officer is responsible for establishing and initiating appropriate recovery procedures in line with the Council's Debt Management Policy as set out in the **Code of Practice: Debt Recovery**.

The Chief Finance Officer is responsible for writing off bad debts where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation.

A quarterly report will be submitted to Executive summarising write offs below £50,000. Individual reports for requests to write-off amounts over £50,000 will also be prepared by the Chief Finance Officer for consideration by the Executive.

Where invoices are written off by the Service Directorate in the same year in which they were raised, the cost will be met by the originating service. Where invoices raised in previous years are written off the cost will be met from the Service Directorate's bad debt provision. The bad debt provision is reviewed each year as part of the closure of accounts process. Any increase in provision for a specific Directorate will be a charge against that Directorate's revenue budget.

The Chief Finance Officer will ensure appropriate accounting adjustments are made for write-offs in accordance with the **Financial Procedures**.

1. INTRODUCTION

- 1.1 This Procedure is intended to set out the arrangements and provide guidance in the collection and recovery of charges for goods and services – Sundry Debtors. It does not cover the collection of income managed by the Recovery and Benefits Section (e.g. Council Tax and Business Rates) which are addressed by the Revenue and Benefits Collection and Enforcement Policy and Procedures.
- 1.2 This Procedure is not intended to be a definitive guide. It is meant to highlight the main principles to be applied and therefore complement information that may be contained in Notes of Guidance, Budget Management Schemes, the Council's Standing Orders, Constitution and Financial Regulations.
- 1.3 The process of the collection and recovery of charges for goods and services involves many officers. It is essential to ensure that the roles and responsibilities of such officers are set out clearly. Further, that the inter-relationship of these roles and responsibilities create a financial framework which is efficient and effective.

2. FINANCIAL CONSEQUENCES OF DEBT WRITE OFF AND RECOVERY COSTS

- 2.1 It is clearly in the Council's interest to do everything to ensure prompt recovery of monies due as:-
- (a) any resulting income write off will be **taken from the budget of the Service Area** that raised the original invoice and received the credit and;
 - (b) costs associated with recovery of a 'bad debt' will **fall upon the budget of the Service Area** raising that debt.

3. COLLECTION ARRANGEMENTS

3.1 Contracted Arrangements

Where income is due under contractual arrangements every opportunity should be taken to ensure the terms of the contract provide for collection at the earliest date possible.

3.2 Credit Notes

Credit Notes to reduce part, or all of an outstanding invoice, must be raised in accordance with the procedure detailed within the **Financial Procedures Charging for Works, Goods and Services** and authorised in line with the **Local Scheme of Management**. The issuing of Credit Notes must not be used instead of, or as a means of avoiding, the Debt Write off process in this Procedure.

3.3 Debt Collection

SAP should be used for debt recovery of goods and services known as Sundry Debts. The invoices should be raised promptly after delivery of goods or liability has been determined to lessen the chances of late payments.

Where debt collection systems are developed which involve raising debt outside the SAP system they must be approved in advance of implementation by the Chief Finance Officer. For all such systems a responsible officer must be identified to deliver detailed documented accounting and operational procedures. The overall responsibility for the invoiced debt being managed correctly rests with the relevant budget manager.

- (a) When the invoice is issued in SAP payment is initially monitored by the Income Team on behalf of budget managers. However, reports on the overall Debtors position should be assessed at least monthly by Budget Managers.
- (b) Where an invoice remains unpaid after 28 days, a reminder is automatically issued from SAP to the customer.
- (c) After 42 days a second reminder is automatically issued and details of the steps taken by the Budget Manager must be provided to the Income Team for further recovery action to be instigated.
- (d) After 50 days the Income Team will consider the debt for further action by a debt collection agent, solicitor or County Court Judgement (CCJ).
- (e) Unless identified as an agreed exception within the Code of Practice, customers who have failed to settle outstanding debt should be blocked from receiving further goods/supplies by the responsible Budget Manager.

3.4 Recovery Action

- (a) After 50 days, and following receipt of the relevant details from the Budget Manager on recovery action undertaken to date, the Income Team will instigate recovery procedures on behalf of the Budget Manager. All additional costs incurred by the Council in pursuing the debt will be **charged to the originating service** unless such costs are recovered from the debtor.

Debts cannot be recovered unless full details (i.e. documentary evidence and history) of the debt from the raising of the invoice onwards are kept and forwarded to the Income Team.

Responsibility for recovery remains with the Budget Manager who should monitor recovery progress in liaison with the Income Manager. However, there should be no further action taken with regard to the debtor by the Budget Manager without discussion and agreement with the Income Team. Likewise, the Income Team will liaise with the Budget Manager on the appropriate course of action where applicable.

- (b) In situations where the customer is being provided with goods/services on a regular basis, consideration must be given to the **immediate termination of service**, pending payment of all outstanding balances. This decision rests with the Income Manager in liaison with the Budget Manager who must consider the financial effects of raising further debt against the debtor as well as the effect of withdrawing service provision. Where the service is to be withdrawn notification of this, **in writing**, must be sent by the Budget Manager.
- (c) Where the goods/service is to be continued evidence detailing the reasons should be retained by the Budget Manager and a note placed on the customer's account by the Income Team.
- (d) Where Budget Managers make special requests for the recovery process to be temporarily stopped this must be made **in writing** and sent to the Income Team. This process may be refreshed each month up to a maximum of three, which may be extended to four following independent adjudication by the relevant Assistant Director. Following this, the unrecovered income will be charged against (be taken from) the budget of the service area that raised the original invoice and received the credit until the dispute is resolved, at which point a new invoice will then need be raised.

- (e) Within the Income Team the following course(s) of action may be adopted:-
 - i). Use of tracing agents
 - ii). the debt will be referred to solicitors
 - iii). Use of debt collection agencies
 - iv). Instalment arrangement (subject to written approval of the Income Manager)
 - v). Personal interview

There must be a clear rationale that details why a particular course of action was chosen.

- (f) Where recovery action fails, the cost of the aborted recovery process will be **charged to the cost centre** of the originating department.

3.5 Monthly Debt Management Review

- (a) Each month the Income Manager runs a Monthly Aged Debtor Analysis Report for all SAP debts which is distributed to all Senior Finance Managers who review and cascade as necessary and determine what further action will be undertaken.
- (b) Each month the Senior Finance Manager must review the listing of Debtors outstanding and identify all credit balances. The Senior Finance Manager must review the report and determine what further action will be undertaken. Specific actions to be taken should be documented in writing and filed with the report which should be signed as evidence of review.
- (c) Details of aged debts, including the length of time the debt is outstanding, is also provided to the Head of Financial Control and the Chief Finance Officer. This is documented in a monthly report produced by the Income Team.
- (d) Every quarter the Income Manager will generate a report on debt management (collection rates and aged analysis of arrears) which will be passed to the Head of Financial Control for review prior to being submitted to the Chief Finance Officer
- (e) All significant debtors (>£10k) are detailed for each service area in order that Service Directors are held to account for non-recovery.
- (f) Each month the relevant Senior Finance Manager reports to their respective Directors, the profiled Aged Debt Analysis for their service.

3.6 External Services for Debt Recovery

- (a) Debts up to £50. Typically these debts are not passed for external collection but written off as 'uneconomical to pursue' after internal recovery processes have been undertaken. This write off is undertaken by the Income team after two written reminders, usually 50 days.
- (b) Debts in excess of £50 and which remain outstanding after all other recovery methods have failed may be passed to an agency approved by the Council to recover the outstanding debt. The Income Team will lead on whether a debt should be passed to an external agency for action based on professional judgement. The Income Manager, (where applicable in liaison with the Budget Manager) **must** consider the value of the debt against the costs associated with this method of recovery before initiating the process. This may result in one, or more, of the following actions being taken:-

- £50 to £3,000 – Passed to an external Debt Collection Company
 - Over £3,000 - Passed to solicitors for action
 - Issue a County Court Judgement taking into consideration a) and b), above.
 - Place a land charge on the property (only applicable for certain debts).
- (c) External Agencies may act on behalf of the Council in contested cases. The recommended course of action should then be submitted to the Income Team for review and approval.
- (d) Where recourse to legal action is unsuccessful the debt is returned to the Income Team where it is considered for write off along with any other unrecovered debts.
- (e) All legal costs will be borne by the originating departments.

4. DEBT WRITE-OFF

4.1 Authorisation of Unrecoverable Debt

The Budget Manager liaises with the Income Team to determine when debt is considered unrecoverable. This involves preparation of schedules by the Income Team identifying the pertinent factors surrounding the debt and why it is considered inappropriate for further action. The authorisation levels for write off are given in the **Financial Scheme of Management**

On a quarterly basis the Income Manager must prepare for the Executive a summary report of the value of debt written off during the quarter up to the value of £50,000 and individual reports for all amounts over £50,000. This report will be presented to the Executive who will consider them for write off.

4.2 End of Year Provision

At the end of the financial year the Income Manager runs an Aged Debtor Analysis which is distributed to all Senior Finance Managers who review the report and determine what debtors are deemed to be potentially bad. Those deemed to be bad will be charged back to the cost centre of the originating directorate.

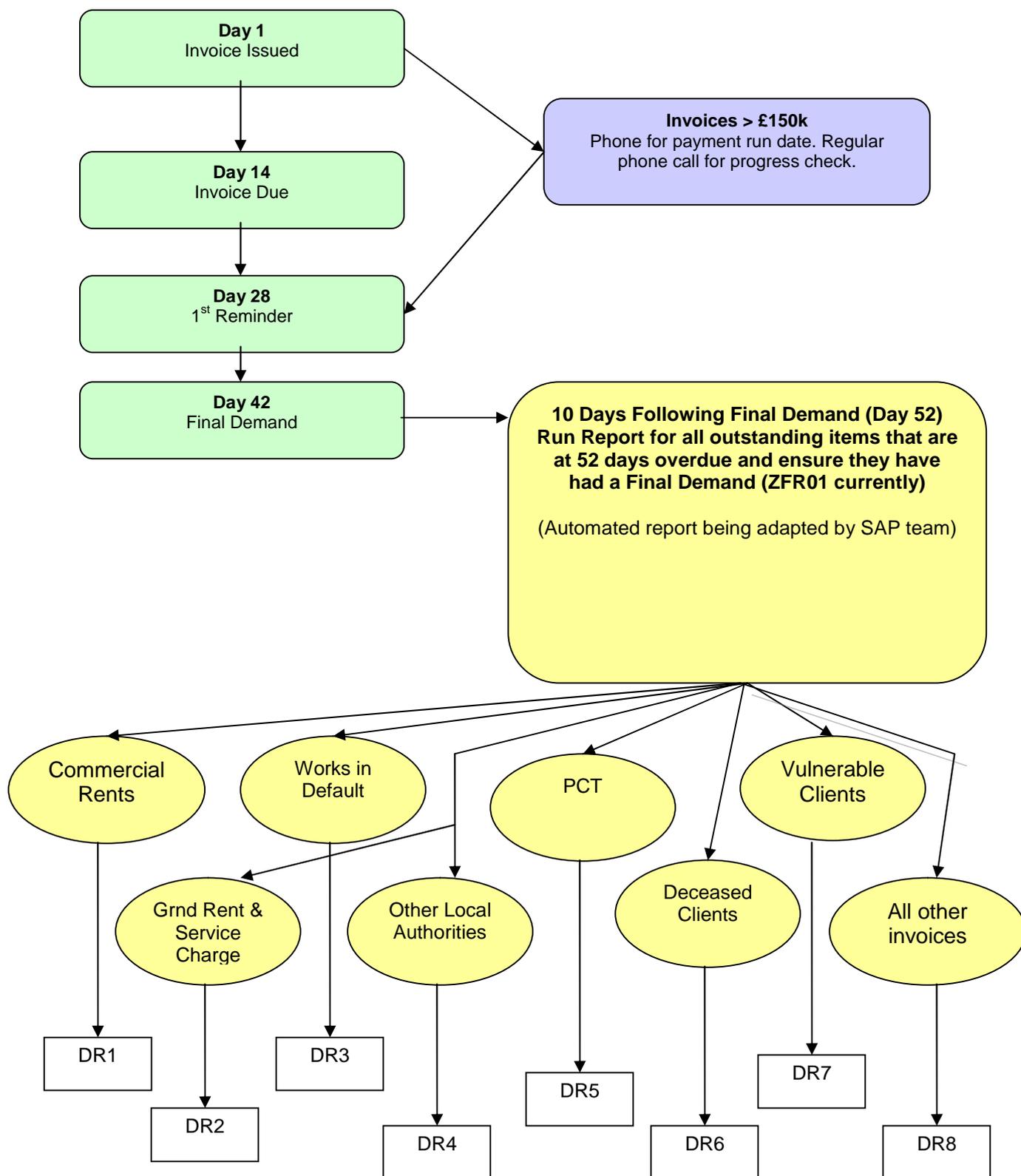
The policy of the Council is that, for the remainder of the outstanding debtors, the following provision will apply, on a Directorate by Directorate basis in line with following:

- a) 91 – 365 Days from invoice date 20% of the value of the debt written to the provision
- b) Over 365 Days from invoice date 50% of the value of the debt written to the provision

The charge will be charged or credited, back to the cost centre of the originating Directorate.

The standard percentages above may be varied for specific debts where information is known that provides a basis for amendment and/or with the written authorisation of the Chief Finance Officer.

Debt Recovery Procedures



FOR ALL DEBTS THE FOLLOWING APPLIES

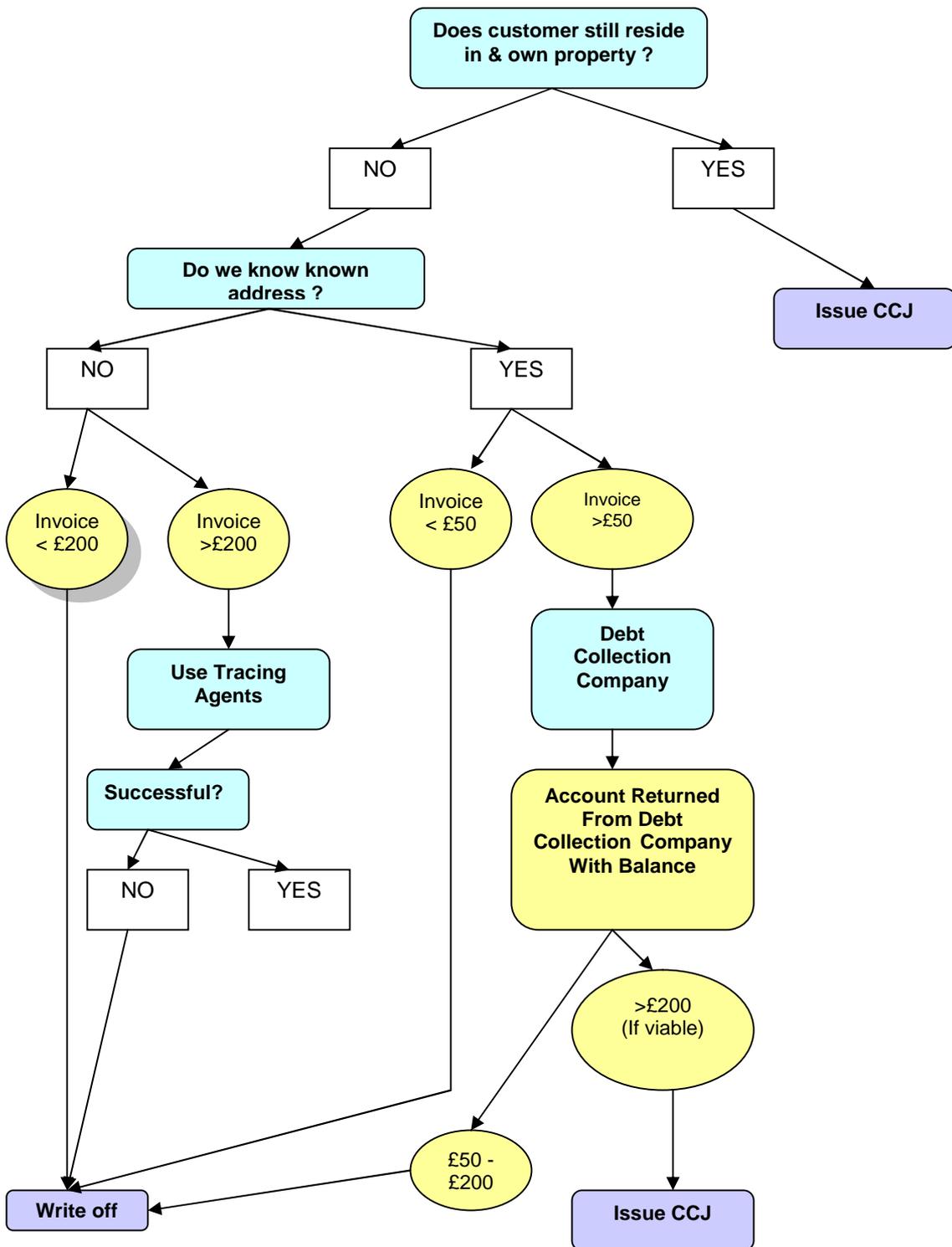
* If at any time an invoice or correspondence is returned unopened 'addressee gone away etc, then the following checks should be completed; 192.com, Council Tax – forwarding address if in our area, Experian check.

* Instalments can be arranged with customer at any point in time, outstanding debt should be recovered within 12 months where possible. Larger Debts can be recovered over longer periods but is subject to a periodic 6 monthly review for changes in circumstances (customer must be made aware of this).

* Queries from customers referring to any part of the invoice will be referred back to the issuing department for response, Income should be made aware of any correspondence between the customer and department who will then update the account accordingly.

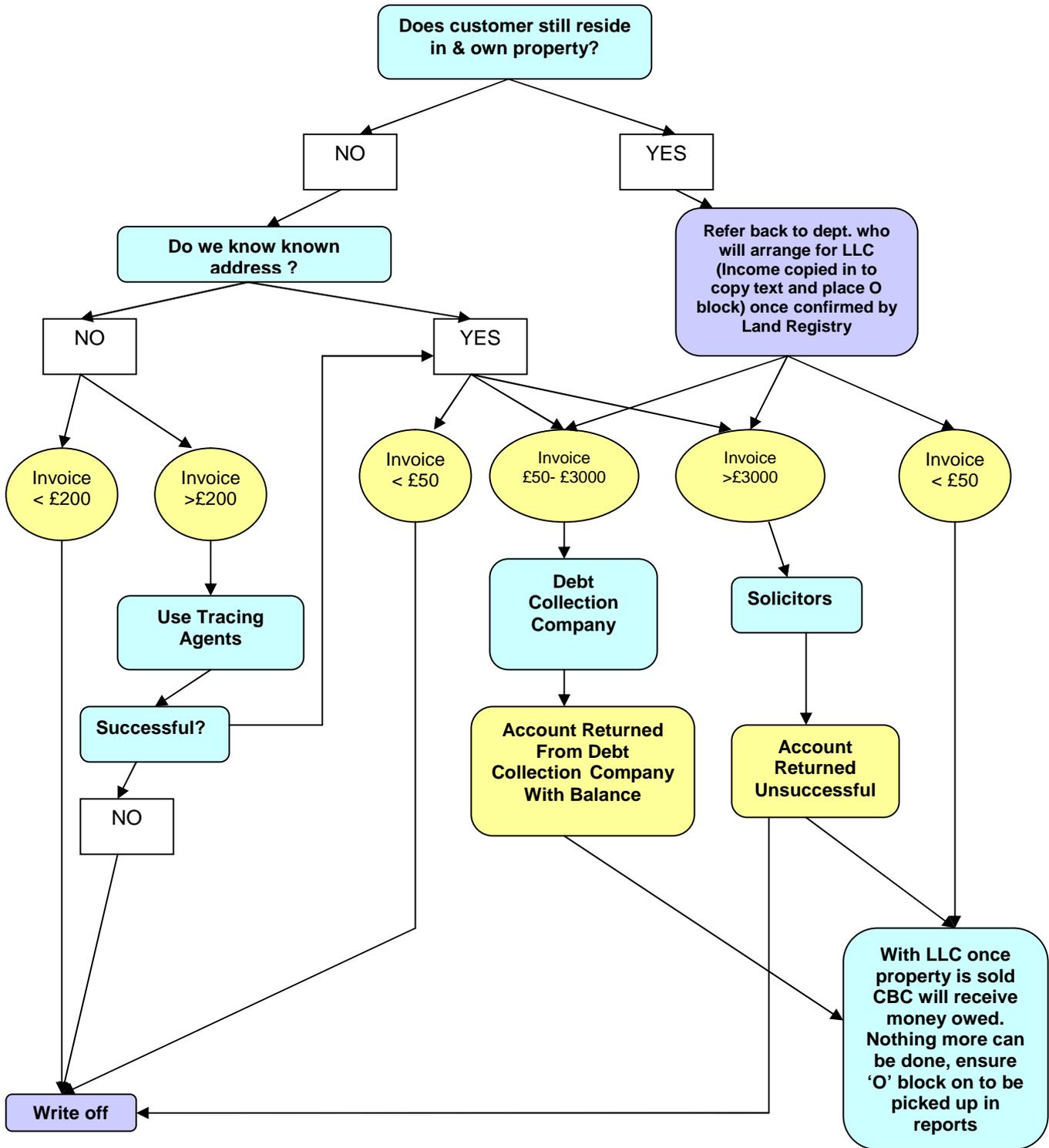
*** If at any time it is the Departments decision to cease further action to recover the debt owed, the debt will be written off back to department code.**

DR2 – Ground Rent & Service Charge



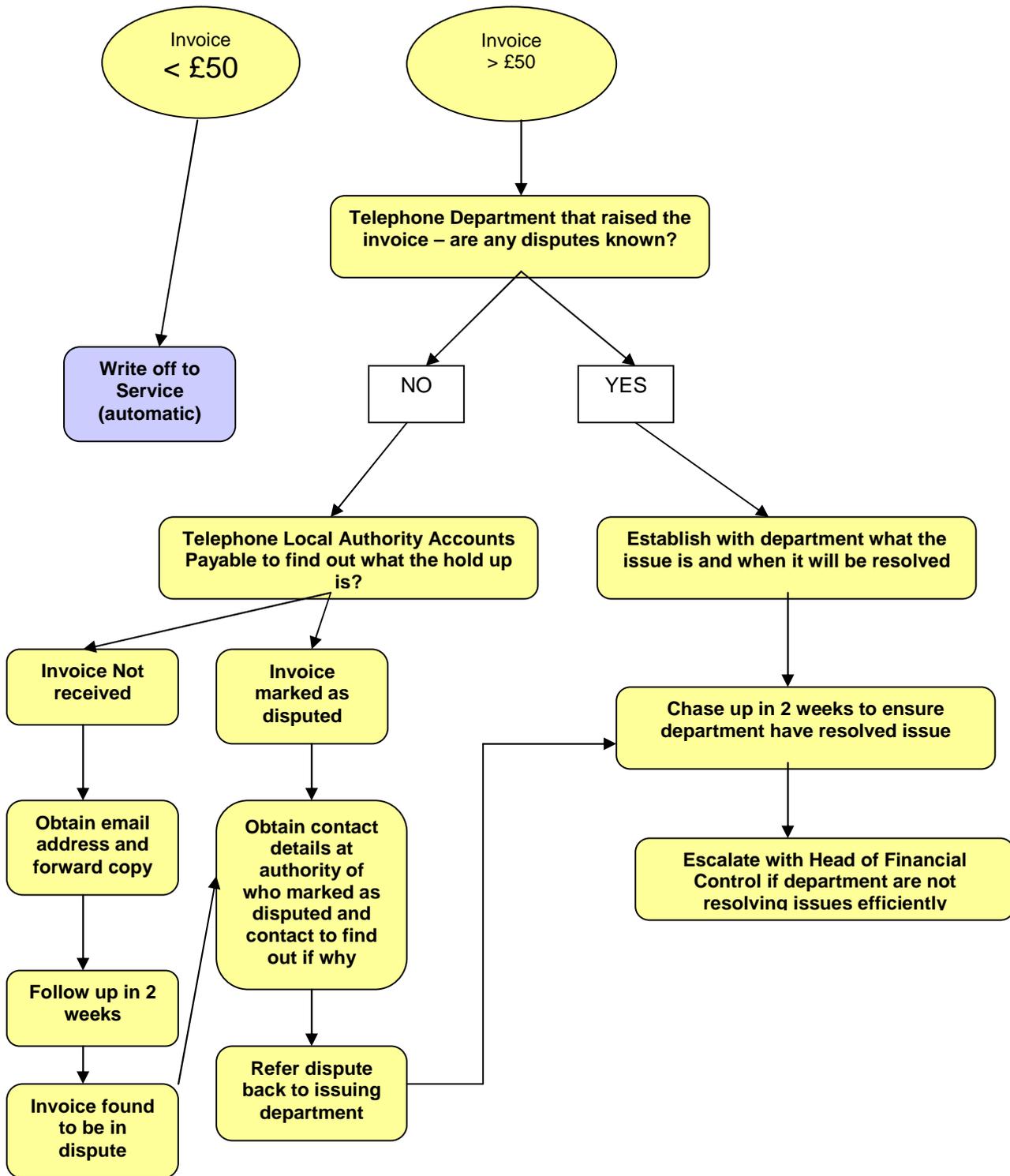
NB – With ground rent & Service charge invoices CBC should get the money owed when the property sells so there is no need to write off those debts whereby the customer still owns the property.

DR3 – Works in Default



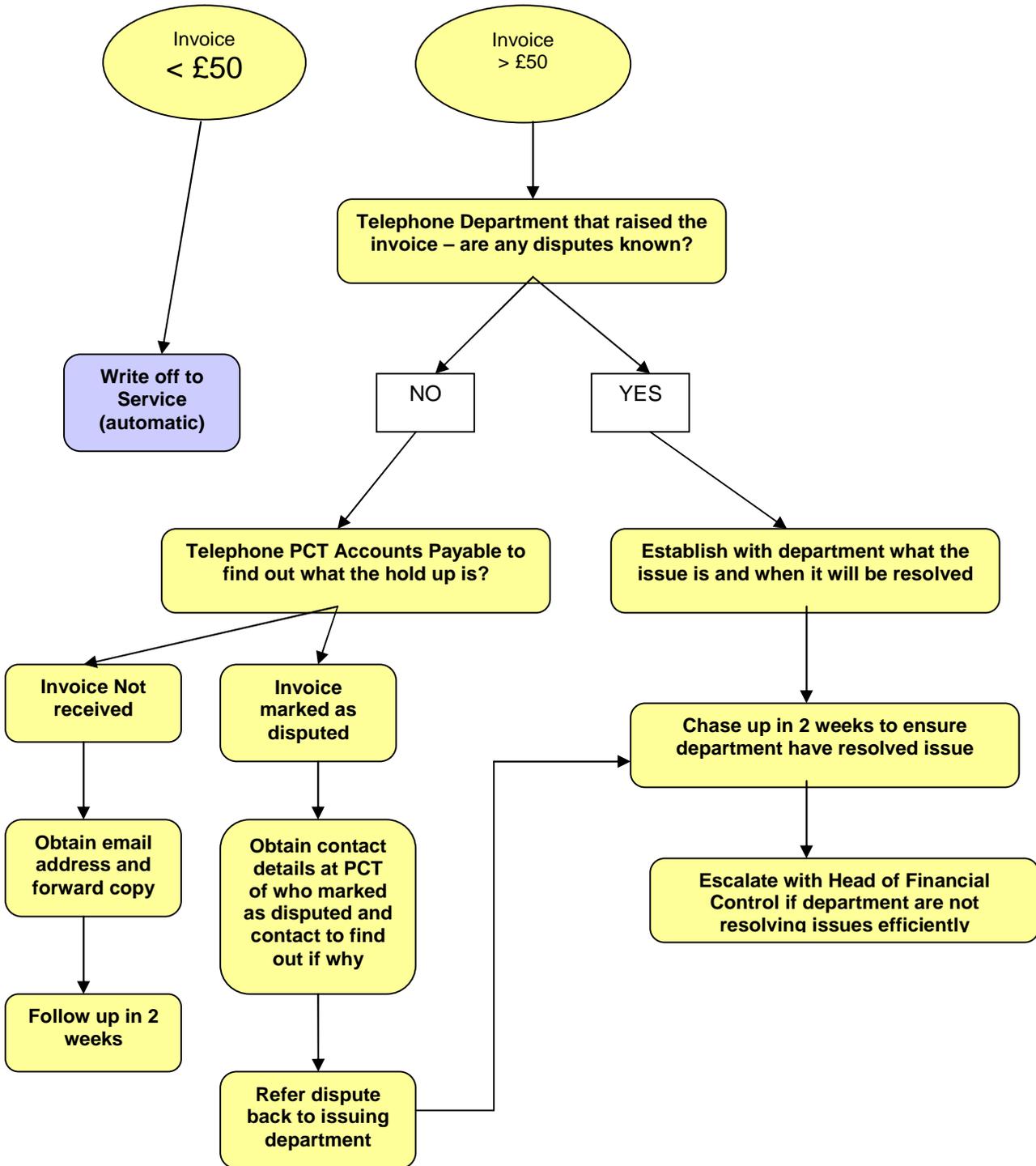
NB – With works in Default if a LLC has been successfully applied then CBC will receive the money owed before the house changes hands.

DR4 – Other Local Authorities



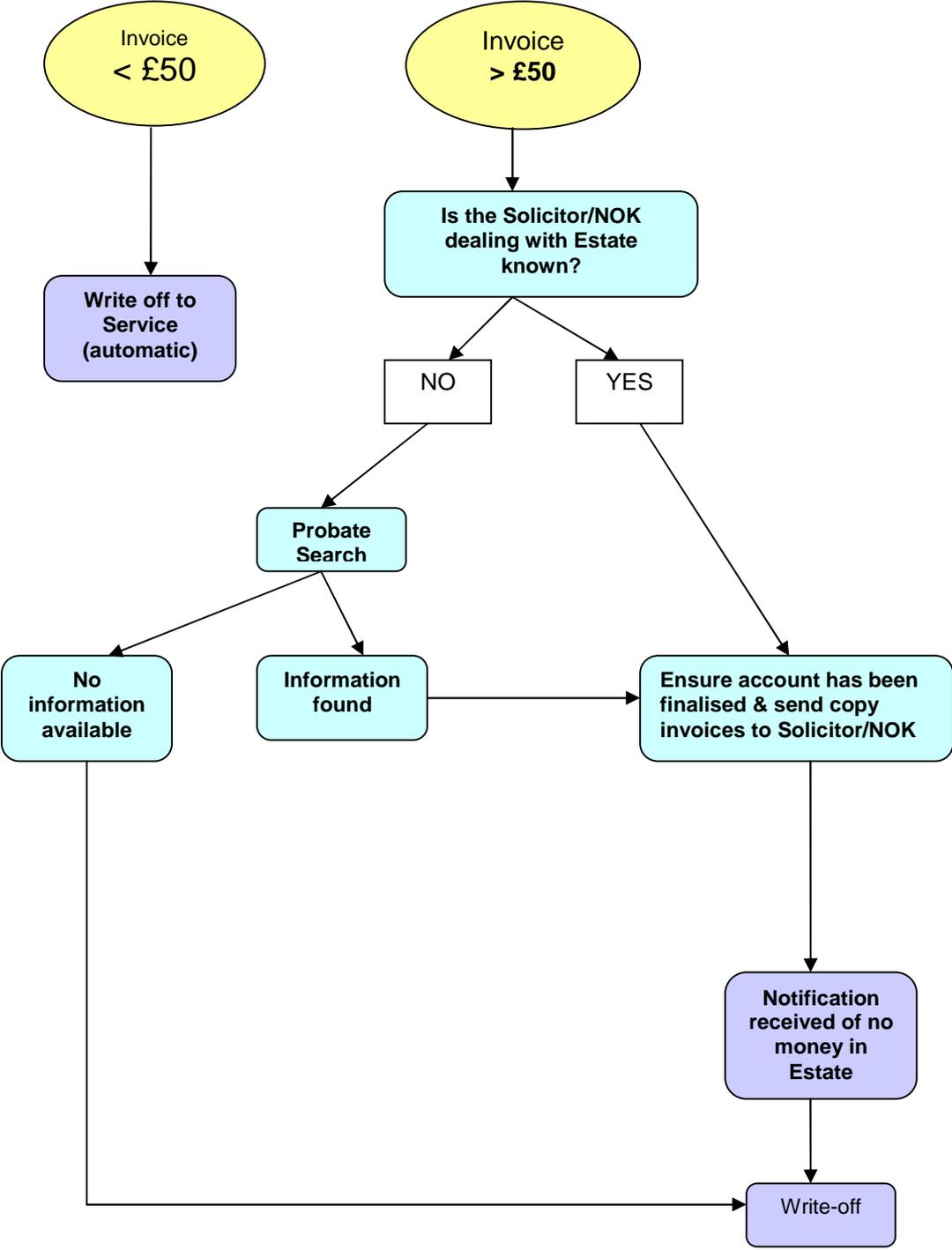
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DR5 – PCT

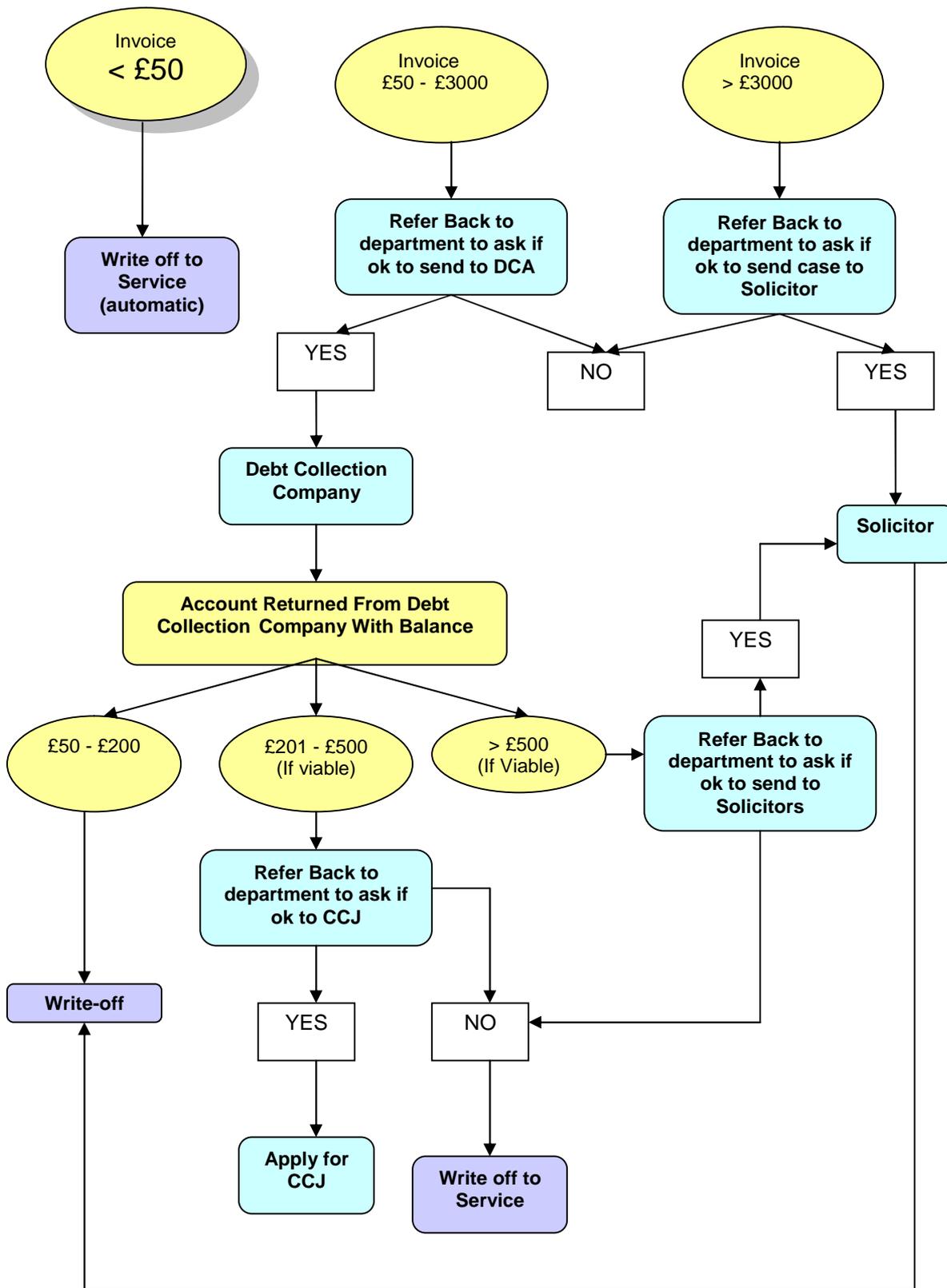


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DR6 – Deceased Clients

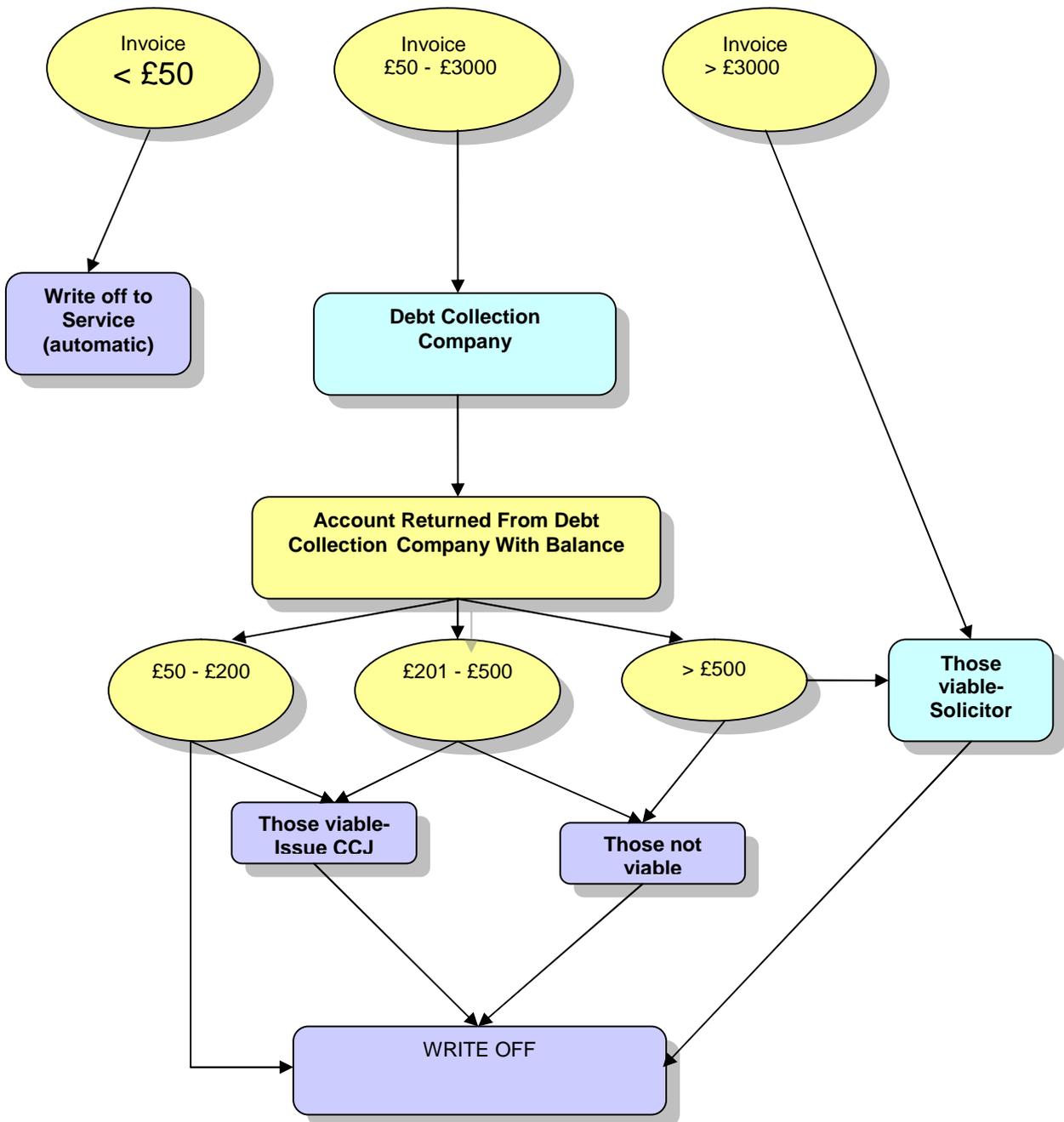


DR7 – Vulnerable Clients



* There may be points during chasing Vulnerable debt that a Social Worker can be involved in helping explain things to the clients to aid in recovery or next of kin details could be obtained from the department dependant on the circumstances of the case in question.

DR8 - All other invoices



CENTRAL BEDFORDSHIRE COUNCIL – DEBT WRITE OFF SCHEDULE



The debtors raised by this Department and listed below have been uncollected for the reasons shown and are now recommended to be writt

(COMPANY) REFERENCE:	INVOICE NO:	NAME OF DEBTOR:	REASON FOR WRITE OFF/ACTION TAKEN:	INCOME CODE:	AMOUNT:	
					£.	p.

RAISED BY	Up to £100	AGREED	AUTHORISED.....
Date: / /		Cost Centre Manager Date: / /	Income Team Manager Date: / /	INPUT REF Date: / /
	Up to £5,000	AGREED	AUTHORISED.....	
		Cost Centre Manager Date: / /	Head of Financial Control Date: / /	
	Up to £10,000	AGREED	AUTHORISED.....	
		Chief Finance Officer Date: / /	Relevant Assistant Director Date: / /	
	Up to £50,000	AGREED	AUTHORISED.....	
		Chief Finance Officer Date: / /	Relevant Director Date: / /	
	Over £50,000	AGREED	AUTHORISED.....	AUTHORISED.....
		Chief Finance Officer Date: / /	Relevant Director Date: / /	Executive Date: / /