



MORAY COUNCIL

**SUNDRY DEBT MANAGEMENT
POLICY**

June 2017

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1 INTRODUCTION

1.1 Purpose

- 1.1.1 The purpose of this document is to detail the policies and procedures for collection of Sundry Debts (which currently excludes Council Tax, Non Domestic Rates, Industrial Site Rents and Housing Rents).
- 1.1.2 The policy should be viewed in the context that delays in receipt of sums due to the Council are costly, both in terms of lost interest and the extra costs of administration.
- 1.1.3 All Service Departments individually have the responsibility to recover the debt owed; therefore, the principles outlined in this document should be incorporated into the working practices of each department.

1.2 Policy Objectives

- 1.2.1 To maximise income and minimise bad debt by:
- Issuing accounts accurately and timeously
 - Delivering a sensitive and responsive service
 - Contacting customers as soon as they fall in arrears
 - Using effective follow up procedures and legal action where appropriate
 - Working in partnership with an External Debt Collection Agency to efficiently collect debts outstanding
 - Service Departments actively avoiding adding new debt where there is a history of arrears

2 ISSUING ACCOUNTS

2.1 Introduction

- 2.1.1 The immediate and efficient issue of invoices and the prompt collection of sums due are essential to the operation of the Council.
- 2.1.2 Sundry Debt invoices are raised by the Council for services provided, e.g. Hire of Facilities, Rechargeable Repairs, etc.
- 2.1.3 All Sundry Debt invoices must be administered in the Accounts Receivable System and processed in Sales Invoicing.
- 2.1.4 These invoices are keyed into Sales Invoicing by the service that raises the charge. Once processed they are printed and issued by Payments Section.

2.2 Process

- 2.2.1 Where possible, **payment in advance** of the service (cash) is to be **actively encouraged at all times** and particularly so where the person/firm are known bad payers or where the sums are considered to be uneconomical to pursue (see 2.2.3 below).
- 2.2.2 Before providing a service/work, initial checks should be made in the Accounts Receivable system to see if there are currently any outstanding invoices for that customer.
- 2.2.3 Generally invoices should only be issued for sums that are considered **economical to pursue**. By way of general guidance, invoices should **not** be raised for sums below £15 and staff should have due regard that sums below £250 are not considered economical to pursue via legal action.
- 2.2.4 All invoices are to be issued **promptly**, either in advance or within a short time (maximum of 30 days) of the service being provided, to ensure compliance with VAT Regulations.
- 2.2.5 Departments are required to ensure that all debtors invoices issued are for sums **properly due only**. If there is any doubt over the legality of the account this should be discussed with your line manager, who may wish to consult with Legal Services.

2.3 Invoice Details

2.3.1 All invoices are required to detail in full

- Title
- Forename
- Surname of the debtor
- Full address

2.3.2 It is important to obtain a customer contact number and email address (mandatory for Companies), which should be held along with their other details on the Accounts Receivable system.

2.3.3 Full details of the service provided must be included on the invoice; this should include

- Service provided
- Date(s) service provided
- Any further details in support of the service provided

2.3.4 Incomplete details can delay the payment of an invoice and add to the administrative overheads.

2.3.5 It is important when inputting transactions to ensure a consistent and correct approach is followed for the VAT element of an account. If there is any uncertainty about the correct treatment this should be discussed with Payments Section (accrev@moray.gov.uk).

2.3.6 Departments are required to keep appropriate supporting records and documents in respect of each transaction. Without appropriate records it may not be possible to recover the debt. This documentation may also be required as evidence for audit purposes.

2.4 Credit Notes

2.4.1 An employee who is independent of the person raising the account and who is a nominated senior officer of the authority must authorise the issue of a credit note.

2.4.2 Credit notes should only be issued if there is a fundamental error in the original invoice. Credit notes should not be used to remove a debt that may be written off, or indeed, simply difficult to collect.

- 2.4.3 **Departments are required to keep appropriate supporting records and documents in respect of each credit note.**

2.5 System Security

- 2.5.1 As a matter of system security and as a requirement of audit, no member of staff should attempt to update or change data held within the Accounts Receivable System with information pertaining to a family member, close friend or other members of staff.
- 2.5.2 A request must be made to the relevant supervisor who will complete the required amendment to the account.
- 2.5.3 Non-conformity with this request could be construed as an act of a fraudulent nature and would be treated as a serious breach of policy and may result in disciplinary action.

3 INTERNAL DEBT

3.1 Introduction

- 3.1.1 Inter-departmental settlements should be processed via Accountancy Section (via electronic journals) where possible and internal invoices kept to a minimum.
- 3.1.2 As for external debt the immediate and efficient issue of internal invoices and the prompt collection of sums due are essential to the operation of the Council.
- 3.1.3 Where necessary internal invoices can be processed in Sales Invoicing.
- 3.1.4 These invoices are keyed into Sales Invoicing by the Service that raises the charge. Once processed they are printed and issued by Payments Section.

3.2 Process

- 3.2.1 Once issued, internal invoices should be processed for payment as soon as possible. The settling department should enter the financial ledger code to be debited and authorising signature on the invoice.
- 3.2.2 The authorised invoice should be sent to Payments Section for processing.

3.3 Invoice Details

- 3.3.1 All internal invoices should be raised against an "ID" customer account. Please note that ID accounts are for internal debt only and can only be settled using the above process. Cash payment cannot be accepted for these accounts.
- 3.3.2 As for external invoices, full details of the service provided must be included on the invoice, this should include
- Service provided
 - Date(s) service provided
 - Any further details in support of the service provided
- 3.3.3 Incomplete details can delay the payment of an invoice and add to the administrative overheads.

3.4 Credit Notes

- 3.4.1 An employee who is independent of the person raising the account and who is a nominated senior officer of the authority must authorise the issue of a credit note.
- 3.4.2 Credit notes should only be issued if there is a fundamental error in the original invoice. Credit notes should not be used to remove a debt that may be written off, or indeed, simply difficult to collect.
- 3.4.3 **Departments are required to keep appropriate supporting records and documents in respect of each credit note.**

3.5 Settlement Procedure

- 3.5.1 To ensure that internal debts are settled as soon as possible, Payments Section will review all transactions aged over 30 days. Where appropriate, contact will be made with the departments to ascertain why the debt has not been settled
- 3.5.2 A monthly report will be prepared for Accountancy Section listing all outstanding transactions over 37 days old. If necessary, Accountancy staff will process settlement.

4 FOLLOW UP PROCEDURE

4.1 Collection Processing

- 4.1.1 All debtor account balances will be updated within one working day of the payment being processed in the Cash Receipting System.

4.2 Payment Policy- Non Sensitive Debt

- 4.2.1 The policy, as stated on the invoice, is that payment is due on the date of issue. However debtors should be given reasonable time to make payment.
- 4.2.2 Where an account remains unpaid after 21 days, debtors are given a **first reminder** (Appendix 1).
- 4.2.3 Where an account remains unpaid after 49 days, debtors are given a **second and final reminder** (Appendix 2)
- 4.2.4 Where an account remains unpaid after 59 days, the debtor will be referred to the Council's External Debt Collection Agency.

4.3 Payment Policy - Sensitive Debt

- 4.3.1 Where it is known that the debt is to be settled from the estate of a deceased debtor, a slightly more sensitive approach is taken.
- 4.3.2 Where an account remains unpaid after 21 days, debtors are given a **first reminder** (Appendix 3).
- 4.3.3 Where an account remains unpaid after 35 days, debtors will be given a **second reminder** (Appendix 4).
- 4.3.4 Where an account remains unpaid after 49 days, debtors will be given a **third and final reminder** (Appendix 5)
- 4.3.5 Where an account remains unpaid after 59 days, the debtor will be referred to the Council's External Debt Collection Agency.

4.4 Instalments

- 4.4.1 Where the debtor is unable to settle in full by the due date, arrangement can be made between the debtor and Payments Section to make payment by instalments.
- 4.4.2 A schedule will be agreed with the debtor. This will be issued to them setting out the period and dates of the expected payments.

- 4.4.3 In all cases the repayment period should be for the shortest term possible.
- 4.4.4 If the debtor breaches this agreement, the invoice will be subject to the normal recovery rules.

4.5 Referral to Collection Agency

- 4.5.1 All debts still outstanding after 49 days are reviewed by Payments Section prior to referral to the External Debt Collection Agency. Wherever possible contact is made with the debtor to establish reasons for the delay.
- 4.5.2 It is essential that Payments are notified by the Service Department of any contact or information received regarding a debt that has been referred so they can inform the External Debt Collection Agency. Communication between the External Debt Collection Agency and the Council must be kept up to date to avoid any unnecessary confusion for the debtor.

4.6 Refunds

- 4.6.1 Credit balances over £15 are identified monthly and, after being checked, are refunded.

4.7 Offsetting

- 4.7.1 In some circumstances steps can be taken to offset money owed to the Council by a debtor against money owed by the Council to that debtor. **This process can only be executed by Payments Section.**
- 4.7.2 **If this situation arises the Payments Section should be informed immediately as there are various checks that require to be completed before the process can begin.**
- 4.7.3 This process cannot apply to Housing Benefit payments.
- 4.7.4 **If this situation arises please contact Payments Section immediately.**
- 4.7.5 Some debtors will owe more than one debt to the Council. In such cases a decision will be required by the services involved to determine which debts take priority. Priority is given to debts where non-payment could lead to the loss of a debtor's home etc. These will mainly relate to Council Tax. Other debts, including sundry debts, are considered to be of lower priority.

5 DISPUTED ACCOUNTS

5.1 Introduction

- 5.1.1 Prompt query resolution is an essential part of having an effective debt collection process. The longer a debt remains unpaid the greater the risk that it will never be paid.
- 5.1.2 **Departments are required to keep appropriate supporting records and documents in respect of each transaction.**

5.2 Process

- 5.2.1 Up to date information on queries raised is essential, regardless of the originator. Any information received should be forwarded as soon as possible to Payments section who will update the account as appropriate.
- 5.2.2 A series of codes (query codes) will be used in the Accounts Receivable System to identify the issue and ultimately future action. A full list of query codes can be found in Appendix 6.
- 5.2.3 Recovery of debt will continue to follow the policy unless a request is made to suspend the transaction. The suspension of a debt will only be granted on the written request of a supervisory staff member within the department raising the transaction. The request must state the reason for the suspension.
- 5.2.4 Debts will be suspended for a maximum of 60 days, therefore it is vital that any dispute is resolved quickly. Should the debt still be outstanding after 60 days, a credit note will be raised and charged back to the relevant departmental cost centre.
- 5.2.5 It is acknowledged that there may be a need to suspend debts for longer than 60 days. However debts will only be suspended for longer than 60 days by written request to Payments Section, authorised by a Head of Service.
- 5.2.6 Payments Section will regularly review suspended accounts.
- 5.2.7 **Departments are required to keep appropriate supporting records and documents in respect of each transaction. These are essential for court proceedings. Without appropriate records it may not be possible to recover the debt.**

6 HIGH VALUED ACCOUNTS

6.1 Introduction

6.1.1 The purpose of this section is to minimise the number of high valued outstanding debts.

6.1.2 The process is completed monthly.

6.2 Process

6.2.1 At the end of each calendar month the Payments Section will produce a report of individual invoices that amount to more than £10,000.

6.2.2 If any of these invoices are older than 49 days they will be contacted by Payments Section to establish when payment will be received or why the transaction has not been paid.

6.2.3 If it is found that there is a problem with the collection of the invoice, the department raising the transaction will be informed.

7 DEBTORS – GONE AWAY

7.1 Introduction

7.1.1 This section deals with undelivered documents returned by the postal system to Payments Section marked “**gone away**”, “**not known at this address**”, etc.

7.2 Process

7.2.1 When notification is received by the Payments Section from the postal system this will be recorded in the Accounts Receivable System (query code 58).

7.2.2 The Payments Section will contact the originating department to request a forwarding address.

7.2.3 A response to this request must be made within 14 days.

7.2.4 If no forwarding address is provided the account will be reviewed and depending on value and customer information we could request an agency trace or refer the transaction for write off (at a cost to the Council).

8 DECEASED DEBTORS

8.1 Introduction

8.1.1 This section outlines the process to be followed upon the notification that a debtor is deceased and should be read in conjunction with Section 4.3.

8.2 Process

8.2.1 Any notification received that a debtor is deceased requires to be confirmed in writing by the person notifying the council.

8.2.2 Reasonable attempts must be made to establish whether **the deceased left a will and the name and address of the Executor/Executrix of that will.**

8.2.3 The Accounts Receivable System will be updated with the information received and an account forwarded to the Executor/Executrix of the will.

8.2.4 If the deceased person left an estate of nil value and the deceased person's solicitor confirms by letter that there are no testamentary writings, the invoice will be referred for write off.

9 DEBTORS IN ADMINISTRATION, BANKRUPTCY OR SEQUESTRATION

9.1 Introduction

9.1.1 The section deals with the process to be followed when notification is received informing the Council that a business has gone into administration or been declared bankrupt or an individual is sequestrated.

9.2 Process

9.2.1 All notification received that a debtor has gone into administration or been declared bankrupt/sequestrated must be passed to Payments Section.

9.2.2 Payments Section will amend the account(s) once supporting evidence has been received, letter from the Liquidator, article in Edinburgh Gazette, etc.

9.2.3 A claim for the debt outstanding is prepared and submitted to the Liquidator/Accountant in Bankruptcy/Trustee by Payments Section. Only accounts/services raised before the sequestration date are liable for inclusion in claim. All invoices/services raised after the date of the expiry of the period of sequestration/trust deed are liable for normal recovery.

9.2.4 The trustee will inform us the dividend/payment that will be received. At this point the resultant transaction balance will be referred for write off.

10 WRITE OFF

10.1 Introduction

10.1.1 Acting on advice from Departments, the Council's External Debt Collection Agency or Legal Services, Payments section will annually arrange for debt identified as irrecoverable to be written off the Accounts Receivable System. This process is an accounting exercise and the debt will remain due to the Council until legal prescription prevents collection (at which point it is legally irrecoverable). The effect of writing off debt is a corporate chargeable expense.

10.2 Process

10.2.1 The Accounts Receivable system will be updated and all customer accounts noted as (WO) in the account title. Departments should be careful not to incur new debt for these customers

10.2.2 A report will be prepared each year and will be posted on the Members Portal, giving the value and number of transactions written off.

10.2.3 Departments should take note of the suffix (WO) on customer accounts and avoid creating any new debt on such an account as it is likely that recovery may prove difficult from a debtor with previous bad debt history.

11 BAD DEBT PROVISION

11.1 Introduction

11.1.1 Departments should remember as stated in 1.1.3 that it is their responsibility to recover as much of the income owed as possible.

11.2 Process

11.2.1 At the end of the each financial year Accountancy Section will prepare a statement on bad debt provision.

11.2.2 This involves analysing all outstanding accounts and estimating the prospect of recovery of that debt.

11.2.3 The result of this exercise is either a decrease or more likely an increase in the bad debt provision; this will be reflected in service accounts.

12 MONITORING

12.1 Introduction

12.1.1 This section should be viewed in the context that, as stated in 1.1.3, it is primarily the Department's responsibility to recover as much of the income owed as possible.

12.2 Process

12.2.1 At the end of each calendar month Payments Section will produce, and distribute to departments, reports detailing outstanding accounts issued by that department.

12.2.2 Departments are responsible for further distribution to the most appropriate individual or section for action.

12.2.3 The report received should be reviewed to identify any problem accounts and steps taken to ensure that further services are not provided until the account is paid in full. Any action taken or further information received should be forwarded to Payments Section.

12.2.4 Debt management reports are currently issued as follows:-

Corporate Services	Recipient Officer
BIDS	Non Domestic Rates Officer
Finance	Payments Manager
Legal Services	Head of Legal & Democratic

Education & Social Care	Recipient Officer
Health & Social Care	Community Care Finance Officer
Sports & Leisure	Sports & Leisure Manager
Educational Services	Business Support Team Manager

Environmental Services	Recipient Officer
Estates	Clerical Assistant (Estates)
HRA	Secretary
Planning & Regulatory	Administration Manager
Roads	Administration Officer (Roads)
Waste, Landfill, Cleaning	Administration Officer (Environmental Protection)
Building Services	Building Services Manager

Any changes to the above distribution list should be sent to Payments Section to enable them to update their records accordingly.

FIRST REMINDER (STANDARD)

Appendix 1

Debtor Name
Address 1
Address 2
Town
County
Post Code

Date

Dear Sir/Madam

OVERDUE INVOICE(S)

I refer to the overdue invoice(s) listed below.

According to my records, no query has been raised regarding the content or amount of the invoice(s) and therefore I would be grateful if you could arrange settlement immediately. Failure to do so will result in this debt being referred to our External Debt Collector for further action.

Instructions for payment can be found on the reverse of this letter.

Should you have any queries regarding the invoice(s) please contact the Payments Section on (01343) 563144.

Please disregard this letter if you have paid within the last four days.

Yours faithfully,

Accounts Receivable
Recovery Team

Invoice information is detailed at the bottom of the letter

FINAL REMINDER (STANDARD)

Appendix 2

Debtor Name
Address 1
Address 2
Town
County
Post Code

Date

Dear Sir/Madam

OVERDUE INVOICE(S)

According to my records the invoice(s) listed below remain outstanding despite a previous reminder being issued recently.

If payment in full, or acceptable payment arrangements, are not received within the next 7 days, details of the invoice(s) will be passed to our External Debt Collector for collection. You should be aware that this may result in additional interest and judicial expenses being incurred.

Instructions for making payment can be found on the reverse of this letter.

Should you have any queries regarding the invoice(s) please contact the Payments Section on (01343) 563144.

Please disregard this letter if you have paid within the last four days.

Yours faithfully

Accounts Receivable
Recovery Team

Invoice information is detailed at the bottom of the letter

FIRST REMINDER (SENSITIVE)

Appendix 3

Debtor Name
Address 1
Address 2
Town
County
Post Code

Date

Dear Sir/Madam

OVERDUE INVOICE(S)

I refer to the overdue invoice(s), listed below.

I would be obliged if you could advise me if you are in a position to settle. If not, please contact the Payments Section on (01343) 563144 so we may discuss the matter further.

Instructions for making payment can be found on the reverse of this letter.

I thank you for your co-operation and look forward to hearing from you.

Please disregard this letter if you have paid within the last four days.

Yours faithfully,

Accounts Receivable
Recovery Team

Invoice information is detailed at the bottom of the letter

SECOND REMINDER (SENSITIVE)

Appendix 4

Debtor Name
Address 1
Address 2
Town
County
Post Code

Date

Dear Sir/Madam

OVERDUE INVOICE(S)

I note from my records that the invoice(s) listed below remain outstanding despite my recent reminder.

I would be grateful if you would advise me when you expect to be in a position to settle.

Instructions for making payment can be found on the reverse of this letter.

Should you have any queries regarding the invoice(s) please contact the Payments Section on (01343) 563144.

Please disregard this letter if you have paid within the last four days.

Yours faithfully,

Accounts Receivable
Recovery Team

Invoice information is detailed at the bottom of the letter

FINAL REMINDER (SENSITIVE)

Appendix 5

Debtor Name
Address 1
Address 2
Town
County
Post Code

Date

Dear Sir/Madam

OVERDUE INVOICE(S)

According to my records the invoice(s) listed below, remain outstanding despite two reminders.

If payment in full, or acceptable payment arrangements, are not received within the next 7 days, details of the invoice(s) will be passed to our External Debt Collector.

Instructions for making payment can be found on the reverse of this letter.

Should you have any queries regarding the invoice(s) please contact the Payments Section on (01343) 563144.

Please disregard this letter if you have paid within the last four days.

Yours faithfully,

Account Receivable
Recovery Team

Invoice information is detailed at the bottom of the letter

Query Codes

Description

- 01. Customer Query - to Department
 - 02. Customer Query - from Department
 - 04. To be refunded
 - 07. Known Unallocated Credit
 - 20. Weekly instalment arrangement agreed
 - 21. Monthly instalment arrangement agreed
 - 22. Late settlement date agreed
 - 25. Housing problems accounts
 - 26. Account to be paid by insurers
 - 27. With Trading Standards
 - 28. Held long term - Deaths, Homecare Appeal
 - 30. Refer to Payer
 - 31. Instruction Cancelled
 - 32. Payer Deceased
 - 33. Account Transferred
 - 34. Advance Notice Disputed
 - 35. No Account
 - 36. No Instruction
 - 37. Amount Differs
 - 38. Amount not yet due
 - 39. Presentation Overdue
 - 3A. Originator Differs
 - 3B. Account Closed
 - 40. Pending Background Information (Payments
 - 41. Legal Services - Pending
 - 42. Account with Legal Services
 - 43. External Debt Collector - Scott & Co
 - 44. Debt Collector - Pending
 - 45. External Debt Collector - Stirling Park
 - 52. Department recommend write off
 - 53. Department recommend write off - HC
 - 54. Customer in receivership, bankruptcy etc
 - 55. Debtor account - old system
 - 56. Customer claims paid - no evidence
 - 58. Gone Away - June 2004 onwards
 - 60. Legal Services recommend write off
 - 61. Finance recommend write off
 - 62. Ext debt collector recommend write off
 - 63. Debt prescribed - over 5 years old
 - 64. Customer deceased - no estate
 - 66. Lack of evidence to support court action
 - 67. Instalment decree awarded
 - 68. Open decree awarded
 - 69. Uneconomic to Pursue
-

- 70. No Assets**
 - 71. Company has ceased trading**
 - 72. Garages-Prescribed Debt**
 - 91. Query resolved for customer**
 - 92. Query resolved for Organisation**
 - 95. Previously written off invoices**
 - 99. Delete all cleared queries**
-