

MORAY COUNCIL

sundry DEBT MANAGEMENT PROCEDURES

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introduction

Purpose

The purpose of this document is to detail the procedures for collection of Sundry Debtors in conformity to the Council’s Sundry Debt Policy. This excludes Council Tax, Non Domestic Rates, Industrial Site Rents and Housing Rents. The Council also approves a policy for Charges for Services and this is periodically updated. The policy for Charges includes considerations relevant to Sundry Debt and these procedures should be read in conjunction with that policy.

The procedures 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.

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.

This responsibility extends to requesting legal advice from the Council’s Legal Service if recommended by the Council’s debt collection agency.

Performance indicators are collated for the internal management of debt recovery action taken by individual services and to allow benchmarking with other local authorities.

Procedure Objectives

To maximise income and minimise bad debt by:

* Issuing accounts accurately and timeously
* 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
* Delivering a sensitive and responsive service
* Minimising the creation of new debt for customers in arrears

Issuing Accounts

Introduction

The timeous and efficient issue of invoices and the prompt collection of sums due are essential to the efficient and effective management of charges for Council services.

All Sundry Debt invoices must be administered in the Accounts Receivable System and processed in Sales Invoicing.

These invoices are keyed into Sales Invoicing by the service that raises the charge. Once processed they are emailed or where necessary printed by Payments Section.

Process

Before providing a service or work, initial checks in the Accounts Receivable system should be made by service departments, to see if there are currently any outstanding invoices for that customer. Where possible adding to arrears of debt should be avoided.

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.

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. Reviews are carried out at issue stage by Payments to check on service delivery dates.

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.

Invoice Details

All invoices are required to detail in full:

* Title
* Forename
* Surname of the debtor
* Full address
* Service provided
* Date(s) service provided
* Any further details in support of the service provided

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

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.

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).

**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.**

Credit Notes

An employee who is independent of the person raising the account and who is an authorised signatory for that budget must authorise the issue of a credit note.

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

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

System Security

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.

A request must be made to the relevant supervisor who will complete the required amendment to the account.

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.

Follow up procedure

Collection Processing

All debtor accounts will be updated within one working day of the payment being processed in the Income Management System.

Standard Debt

As stated on the invoice, payment is due on the date of issue. However debtors should be given reasonable time to make payment.

Where an account remains unpaid after 21 days, debtors are given a **first reminder** (Appendix 1).

Where an account remains unpaid after 49 days, debtors are given a **second and final reminder** (Appendix 2)

Where an account remains unpaid after 59 days and the debt is not disputed, the debtor will be referred to the Council’s External Debt Collection Agency.

Debt to be settled from an estate

Where it is known that the debt is to be settled from the estate of a deceased debtor, a slightly amended approach is taken.

Where an account remains unpaid after 21 days, debtors are given a **first reminder** (Appendix 3).

Where an account remains unpaid after 35 days, debtors will be given a **second reminder** (appendix 4).

Where an account remains unpaid after 49 days, debtors will be given a **third and final reminder** (appendix 5).

Where an account remains unpaid after 59 days, the debtor will be referred to the Council’s External Debt Collection Agency.

Instalments

Where required instalments can be agreed by Payments. All requests should be referred to Payments

A schedule will be agreed with the debtor. This will be issued to them setting out the period and dates of the expected payments.

In all cases the repayment period should be for the shortest term possible.

If the debtor breaches this agreement, the invoice will be subject to the normal recovery rules.

Referral to Collection Agency

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.

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.

The External Debt Collection agency may recommend that debts are written off or that the debt is referred to the Council’s Legal Service. In the latter case service departments should seek advice on the appropriateness of legal action being taken to recover the debt.

Refunds

Credit balances over £15 are identified monthly by Payments and, after being checked, are refunded.

Offsetting

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.**

**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.**

This process cannot apply to Housing Benefit payments.

Some debtors will owe more than one debt to the Council. In such cases a decision will be required to determine which debts take priority and this decision will be made by Payments in conjunction with the service departments involved. Priority is given to debts where non-payment could lead to the loss of a debtor’s home or business.

Disputed Accounts

Introduction

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.

Process

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.

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.

Recovery of debt will continue to follow the procedures 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.

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.

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 the relevant Head of Service.

Payments Section will regularly review suspended accounts to ensure appropriate action is taken within 60 days.

High Value accounts

Introduction

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

The process is completed monthly.

Process

At the end of each calendar month the Payments Section will produce a report of individual invoices that are for £10,000 or more.

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

If it is found that there is a problem with the collection of the invoice, the originating department will be consulted on appropriate action.

Debtors – gone away

Introduction

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

Process

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

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

The department must respond to this request within 14 days.

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

Deceased debtors

Introduction

This section outlines the process to be followed upon the notification that a debtor is deceased and should be read in conjunction with debt to be settled from an estate.

Process

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

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.**

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

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.

Bankrupt/sequestrated debtors

Introduction

This section deals with the process to be followed when notification is received informing the Council that a business has gone into administration or liquidation, or an individual is sequestrated.

Process

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

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

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

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.

Write off

Introduction

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 becomes legally irrecoverable.

Process

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 where possible.

A report will be prepared each year as an information report at a meeting of Moray Council, giving the value and number of transactions written off.

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

Bad Debt Provision

Introduction

Departments should remember, as stated in the introduction on page 1, that it is their responsibility to recover as much of the income owed as possible.

Process

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

This involves analysing all outstanding accounts and estimating the prospect of recovery of that debt in accordance with the Council’s accounting policies.

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

Monitoring

Introducing

This section should be viewed in the context that, as stated in the introduction on page 1, it is primarily the Department’s responsibility to recover as much of the income owed as possible.

Process

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

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

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

Debt management reports are currently issued as follows:-

**Finance, Strategy & Transformation**

|  |  |
| --- | --- |
| **Area** | **Recipient Officer** |
| Finance  | Service Manager - operations |

**Education, Housing & Communities**

|  |  |
| --- | --- |
| **Area** | **Recipient Officer** |
| Sports & Leisure | Sports & Leisure Manager |
| Education | Service Manager Business Support  |
| HRA | Secretary |
| Building Services | Building Services Manager |

**Economy, Enterprise & Operations**

|  |  |
| --- | --- |
| **Area** | **Recipient Officer** |
| Planning & Regulatory | Administration Manager |
| Waste, Landfill, Cleaning | Administration Officer (Environmental Protection) |
| Roads | Administration Officer (Roads) |
| Legal Services | Head of Governance, Strategy & Performance |

**Moray Integrated Joint Board**

|  |  |
| --- | --- |
| **Area** | **Recipient Officer** |
| Health & Social Care | Community Care Finance Officer |

**Appendix 1**

Debtor Name

Address 1

Address 2

Town

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 as soon as possible.

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

Please be aware that any unpaid debt is passed to our External Debt Collector for further action. There are various options for paying off debt, so if you have any difficulties paying the invoice(s), or have any queries regarding the invoice(s), please contact the Payments Section on (01343) 563144 as soon as possible.

Moray Council operates a free and confidential Money Advice Service. If you wish to use this service, please contact the service on 0300 1234563.

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*

**Appendix 2**

Debtor Name

Address 1

Address 2

Town

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.

Details of the invoice(s) will be passed to our External Debt Collector for collection in 7 days unless you contact us to arrange repayment, or pay the invoice(s) in full. 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.

If you have any difficulties paying the invoice(s), or have any queries

regarding the invoice(s), please contact the Payments Section on

(01343) 563144 as soon as possible.

Moray Council operates a free and confidential Money Advice Service. If you wish to use this service, please contact the service on 0300 1234563.

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*

**Appendix 3**

Debtor Name

Address 1

Address 2

Town

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*

**Appendix 4**

Debtor Name

Address 1

Address 2

Town

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*

**Appendix 5**

Debtor Name

Address 1

Address 2

Town

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*

**Appendix 6**

|  |  |
| --- | --- |
| **Query Code** | **Description** |
| 01 | Customer Query - to Department |
| 02 | Customer Query - from Department |
| 04 | Refund Actioned |
| 07 | Known Unallocated Credit |
| 08 | Debt to be Credited (over 60 days) |
| 20 | Weekly instalment arrangement agreed |
| 21 | Monthly instalment arrangement agreed |
| 25 | Housing problems accounts |
| 28 | Held long term - Deaths, Homecare Appeal |
| 29 | Held Long Term - Prison Holds |
| 30 | Refer to Payer |
| 34 | Advance Notice Disputed |
| 37 | Amount Differs |
| 38 | Amount not yet Due |
| 39 | Presentation Overdue |
| 40 | With BIDS |
| 41 | With Legal Services |
| 42 | With Estates |
| 43 | External Debt Collector - Scott & Co |
| 44 | Debt Collector - Pending |
| 45 | External Debt Collector - Stirling Park |
| 46 | BIDS Scott and Co |
| 52 | Department recommend write off |
| 53 | Department recommend write off - HC |
| 54 | Customer in receivership, bankruptcy etc |
| 55 | Debtor account - old system |
| 57 | Gone Away |
| 58 | Gone Away - June 2004 onwards |
| 60 | Legal Services recommend write off |
| 61 | Finance recommend write off |
| 62 | Ext debt collector recommend write off |
| 67 | Instalment decree awarded |
| 68 | Open decree awarded |
| 70 | DB/DL investigating |
| 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 |