

SPENNYMOOR TOWN COUNCIL



INCOME COLLECTION AND DEBT RECOVERY POLICY

Author of Policy:	Town Clerk
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1. Introduction

- 1.1 This policy sets out the detailed rules and procedures for the Council's income collection and debt recovery action process.
- 1.2 The policy supplements the overall financial framework for the collection and banking of income as set out in Section 9 of the Council's approved Financial Regulations.
- 1.3 The policy encompasses the raising of all invoices for services provided, goods supplied or work carried out by the Council, as well as covering income collection procedures for cash, cheques, card payments and bank transfers paid directly to the Council, in respect of the precept, grants and contributions, fees and charges, rents, and other income.
- 1.4 The systems and procedures set out in this policy in relation to the collection and recovery of all income due to the Council are the responsibility of the Finance and Administration Assistants, ultimately reporting to the RFO.

2. Aims of the Policy

- 2.1 The aims of this policy are to set out the detailed rules, procedures and internal controls for the collection of income due to the Council and the recovery of any outstanding debt.
- 2.2 In particular the policy aims to ensure that:
 - all income directly receivable by the Council in the form of cash, cheques and card payments, is properly collected, receipted and recorded, securely held and banked promptly;
 - invoices raised in respect of debtors are properly checked for price, accuracy and VAT treatment, and promptly issued;
 - positive action is taken to prevent arrears occurring;
 - appropriate recovery action is taken against non-payers; and
 - all income is properly reconciled and accurately accounted for.

- 2.3 The policy is intended for use by all officers of the Council with responsibility for requesting sales orders, collecting income or chasing outstanding debt, and sets out the responsibilities and the procedures that should be followed.
- 2.4 The policy is also relevant to the staff of the Finance and Administration team in administering income collection and debt recovery systems, and checking, recording, reconciling and accurately accounting for all income.

3. Income Collection Responsibilities

- 3.1 The principle of separation of duties shall be observed in connection with the collection of income due to the Council as far as is practicable within the staffing resources available.
- 3.2 As a minimum, separation of duties must be observed in respect of the following areas:
- 3.2.1 The collection and banking of income, and the duty of recording and reconciling that income.
- 3.3 The Town Clerk is ultimately responsible for the collection of all accounts and sums due to the Council.
- 3.4 The Finance and Administration team are responsible for the following procedures:
- setting up new customers on the sales ledger;
 - checking the calculation of the amount due;
 - ensuring the correct VAT treatment;
 - ensuring the correct coding of the income;
 - raising the invoice promptly;
 - sending out reminder letters;
 - co-ordinating any recovery action;

ensuring all income directly receivable by the Council in the form of cash, cheques and card payments, is properly collected, receipted and recorded, securely held and banked: promptly; and, ensuring all income is properly reconciled and accurately accounted for.

- 3.5 Finance and Administration Officers are responsible for the raising debtor invoices, and for the collection of income relating to their specific areas, in accordance with the requirements of this policy and the Financial Regulations.
- 3.6 The Council's Policy and Resources Committee are responsible for reviewing all fees and charges for goods supplied and services provided by the Council, annually, and making recommendations to the Council regarding any changes to fees and charges.
- 3.7 The Council's Policy and Resources Committee is responsible for the consideration of outstanding debts and the approval of any requests for the write off of any irrecoverable debts.
- 3.8 The following section of the policy sets out the detailed procedures in relation to the sales order and debtor invoicing system.

4. Sales Order and Debtor Invoice Procedures

- 4.1 All sales invoices must be made on an official debtor invoice, by Finance and Administration Team.
- 4.2 All sales orders should be priced, wherever possible using the Council's approved fees and charges schedule.
- 4.3 Debtor invoices are currently raised for:
 - 4.3.1 General Debtors;
 - 4.3.2 Cemeteries;
 - 4.3.3 Allotments Rents;
 - 4.3.4 Shop Rents;
 - 4.3.5 Garage Rents;

- 4.3.6 Grazing Rents; and,
- 4.3.7 Facilities Hire and Commissions.
- 4.4 Sales order invoices will be raised and sent out within a timely manner.
- 4.5 The invoice will show the following information:
 - 4.5.1 The name and address of the Council;
 - 4.5.2 The Council's contact details;
 - 4.5.3 The Council's VAT registration number;
 - 4.5.4 Invoice number;
 - 4.5.5 Invoice date;
 - 4.5.6 Customer name and address;
 - 4.5.7 Description of the goods or services provided;
 - 4.5.8 Value of the goods or services provided; Any VAT chargeable; Total amount chargeable;
 - 4.5.9 Payment terms; and,
 - 4.5.10 The Council's bank details.
- 4.6 There are currently five forms of payment available for debtor's invoices. These are cash, cheque, BACS, Standing Orders and Credit/Debit Cards.
- 4.7 If the customer is not already set up as an approved debtor on the financial management system.
- 4.8 The new customer will then be set up on the sales order module by Finance and Administration staff, recording the following information:
 - 4.8.1 Name and address of the customer;

4.8.2 Contact details for the customer;

4.8.3 Payment terms will be set not to exceed 30 days;

4.9 Payment terms will normally be set at 21 days for all customers.

5. Recovery Action Procedure

5.1 The status of all debtors will be reviewed by the Finance and Administration team on a regular basis.

5.2 At the end of each month a debtors listing will be produced from the financial management system showing outstanding debtors and the age of the debt.

5.3 A statement will be sent out to those debtors who are outside of the payment terms, summarising the overdue amounts and reminding the customer that the debt needs to be paid as soon as possible.

5.4 The outstanding debtor report will also be reviewed by the Finance Manager on a monthly basis and further recovery action will be instigated where relevant.

5.5 The formal recovery action procedure to be followed in respect of all outstanding debtors can be summarised as follows:

1 Month Overdue

A telephone call to the customer followed by a statement of the outstanding amounts will be sent out to the debtor requesting payment within seven days. This is followed up with the below:

2 Months Overdue

A reminder letter will be sent with threat of further recovery action if the debt remains unpaid after a period of two months.

Final Reminder

If the debt has not been cleared within a further month, a final notice will be sent informing the debtor that the debt may now be referred to the small claims court or passed to a collection agency for recovery.

Legal Action or Write Off

If payment is still not forthcoming following the issue of the final reminder, a judgement will then be made by the Town Clerk, as to whether the debt should be referred for legal action. The materiality of the debt will need to be taken into account as taking legal action could incur solicitor and court costs which would be added to the debt. If the debt is considered uncollectable or not material, it would then be referred to the Council's Policy and Resources Committee for write off.

- 5.6 It is recognised that in some cases debts may not be paid because the debtor has financial difficulties. In such cases, efforts will be made to assist the debtor to pay the debt. For example, an arrangement may be made to allow the debt to be repaid by instalments.

6. Write Off Procedure

- 6.1 Details of any material outstanding debts are reported to the Policy and Resources Committee on the Budgetary Control Reports.
- 6.2 Any requests for the write off of irrecoverable debts would be reported to and subject to the approval of Policy and Resources Committee.
- 6.3 Any write offs of debt would be charged against the bad debts nominal

7. Collection and Banking of Income

- 7.1 All cash, credit/debit cards and cheques received at the Council Offices will be logged by the Finance and Administration team. Income received at the Council Offices includes allotment fees, cemetery fees, Art Gallery receipts, park income and payments in respect of sales invoices raised.

- 7.2 Each cash Credit/debit card or cheque payment will be receipted using the official Council receipt book.
- 7.3 Once receipted, each payment received will be recorded on a daily takings sheet, and held in a cash box in the finance safe prior to banking, usually on a weekly basis, by Finance and Administration team. A bank paying-in slip will be completed and retained for all office bankings.
- 7.4 Income in respect of Jubilee Park is to be securely held in the floor safe prior to delivery/collection by staff to Council offices, receipted by Finance and Administration Staff.
- 7.5 The Finance Manager is responsible for ensuring that all grants and other funding provided by external bodies by bank transfer, including the precept, are properly claimed, received promptly, checked for accuracy, properly recorded in the Council's Accounts, and only used for the purposes for which they were awarded.
- 7.6 In all cases income will be recorded on banking sheets by the Finance and Administration staff, deposited with the Council's bankers at the earliest available opportunity and reconciled to the Council's bank accounts on a monthly basis.