Frampton Cotterell Debt Recovery Policy – for Adoption

1. Objective

The Council's dept recovery policy has the following objective:

In order to maximise income, the parish Council will collect all dept owing to it promptly, effectively, efficiently and economically, while ensuring unbiased and fair treatment to all debtors.

2. Framework

The policy document sets out the Dept Recovery policy for the Council to ensure that all sundry debts and income of the Council are managed, administered and collected in a transparent, efficient and cost-effective manner.

To achieve its goal of being an efficient and effective Council, Frampton Cotterell Parish Council will:

- Collect all debt owing to it promptly, effectively, efficiently and economically
- Comply with ethical best practice, and legislative requirements, appropriate to each individual debt, or debtor.

The effective management and collection of debt is an essential contributor to the Council's financial resource and maximises income available to provide services to the parish of Frampton Cotterell. Throughout the body of text of this policy the reporting to the Council by the Responsible Financial Officer (RFO) will be via the first available **[Finance Working Group meeting] [Finance and General Purposes Committee].** If the debt is deemed to affect the day to day running of the Parish Council finances an Extraordinary Meeting will be arranged following the guidelines as laid out in The Councils Standing Orders and the Local Government Act 1972, Sch 12, paras 9 and 25, to discuss the matter.

3. Purpose

The purpose of this policy is to provide clear guidance for the RFO on the recording, reporting, recovery and monitoring of income.

The RFO must follow this procedure to ensure that the Council maximises the collection of debts and income in the most efficient and cost-effective manner.

4. Roles and Responsibilities

The Responsible Financial Officer

The RFO will follow the legislation as laid out under sections 137, 150 and 168 of the Local Government Act 1972; sections 111-116 Local Government Act, 1988; Audit Commissions Act 1998; Accounts and Audit Regulations 2003 (S.I N. 533) Sections 21 and 22 Local Government Act 2003; Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (S.I No. 3146)

The RFO is responsible for the organisation and supervision of all income arrangements, which includes proper accounting, collection arrangements and reporting to the Council on a regular basis. The RFO must make arrangements for income to be accounted for correctly within the Council's financial accounts and make an appropriate annual provision for bad debts.

5. Raising Invoices

All invoices raised must be properly supported by documentary evidence that supports the debt and using the relevant agreed hire charges, rents or fees. VAT will be charged at the prevailing rate where appropriate.

The RFO must use the most appropriate method of collecting each type of income, ensuring effectiveness, efficiency and economy.

Where practical and efficient, advance payment should be requested for services. This minimises the financial risk to the Council

All invoices will bear contact details of the RFO/Clerk, in case of queries.

Invoices should contain a brief explanation of why the Council requests payment. This should, preferably be within the invoice text or as a separate letter. The RFO should ensure invoices are raised promptly. Where the invoice relates to a continuing hall hire or sports facility, youth provision etc., invoices should be issued periodically at the beginning of each period.

6. Terms and Conditions

Terms and conditions are designed to protect the rights of the Council, limit potential liabilities and provide some degree of security for the recovery of the debt.

All invoices must request payment within 21 days or less of the dated invoice.

Terms and Conditions should include details of acceptable payment methods, payment terms, reference to the statutory right to claim a surcharge of 10% on failure to make payment within the time frame.

7. Methods of payment

The Council's preferred method of payment is by bank transfer. However, this does not prohibit accepting payment by cash or cheque.

All debts should be paid in full by the due date.

8. Collection

The collection of income and in respect of invoices raised must follow a standard course, which fully documents the efforts made to settle the debt.

- The RFO will raise the debt in the first instance
- If no payment is received within stated terms; the RFO will commence its recovery procedure, which begins with a first stage reminder letter giving a further 7 days' notice
- If possible, this will be followed with either a telephone call or email to negotiate settlement.
- If no payment is received after a further 7 days, a final demand notice, will be sent.
- The further use of facilities will be ceased immediately.

All action taken will be fully documented by the RFO.

9. Reminder Letter

The RFO will produce all reminder letters within the time scales laid out in this policy.

The final demand notice will advise the customer of further enforcement action, refer to any interest or charge, which the debtor is liable to pay, and the rate at which it will accumulate from the date of the letter.

10. Disputed Invoices

Each invoice will bear the contact details of the Clerk/RFO, in the first instance the Clerk/RFO should be contacted to resolve any initial problems or queries, as they will hold the information to resolve some initial queries.

All invoices that are disputed will be flagged, as not requiring further action at this time.

The RFO will retain responsibility for query resolution at this stage and amend invoices if deemed appropriate. This should be done using properly supported documentary evidence that validates the reason for reducing or cancelling a previous amount invoiced.

If an invoice is flagged:

- a reason for the dispute should be clearly defined.
- every effort to resolve, should be made, at the earliest opportunity
- any obstacles to partial or full payment should be explored and resolved

The aim should be to resolve disputes within one week, where this is not possible, close monitoring should follow with the objective of resolving as soon as possible.

All flagged invoices should be reviewed weekly by the RFO and reported to the Council, with reasons for the dispute and the amount involved.

11. Recovery Action

If, after exhausting all the reminder stages the debt remains outstanding, the RFO must decide if the debt requires further enforcement action, consulting with **the [Finance Working Group] [Finance and General Purposes Committee]** at the first available opportunity.

If the total value of the customer's debt(s) is considered by the RFO uneconomic to pursue further, the invoice will be flagged to the Council, and the following action may apply:

- Refer the debt to the Small Claims Court.
- If the court is unable to collect the debt, all options are exhausted, the RFO will instigate the procedure to write-off debt with the Councils agreement.

All debts passed to the Small Claims Court must be updated. Where an account is reclaimed by the court the invoice(s) and system must be updated to reflect this.

Where a case has been passed to the court for collection and a direct payment is received, the RFO will ensure the court is notified.

12. Writing Debts Off

If the debt remains unpaid, after exhausting all appropriate recovery methods, the debt should be written off. All requests to write off debts must be jointly sanctioned by the RFO and the Full Council.

13. Part Payments

Where part payment has been received for a series of invoices, then the payment is attributed to the earliest invoice first (unless the payment is for a specific invoice).

It would normally be expected that the debts to be written off would be:

- Cumulative debts under £100, where no payment has been received within six months of the sending of the final demand.
- All debts where the court advises they are unable to collect, and all options are exhausted – in these circumstances the RFO will deem it not cost-effective to pursue.
- All debts where the RFO advises the debt is irrecoverable or that legal action is unlikely to be cost effective.

The RFO will prepare a list of debts to be written off at the end of the financial year for approval by the Council which details the value of each debt, age, action taken, and the reason for write-off request.

The debtor remains liable to pay for up to six years. Therefore, if the debt has been written off and a further instalment is received, the income will be credited as appropriate.

Reasons for Debt Write Off

- **Absconded or unable to trace**
- **Bankruptcy (having already registered a claim)**
- **Compassionate**
- **Deceased**
- **Uneconomic**
- **Unable to collect – Debt Collection Service**