



**South
Derbyshire**
District Council

Corporate Sundry Debt Management, Recovery and Write-off Policy

**SOUTH DERBYSHIRE DISTRICT COUNCIL
CORPORATE SUNDRY DEBT MANAGEMENT, RECOVERY AND
WRITE-OFF POLICY**

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1. Introduction

The Council has a duty to recover outstanding debts and in doing so ensures that its processes are fair to everyone, particularly in the current economic climate.

It is essential that all monies due are collected effectively by the Council, and that debt owed to the Council is kept to a minimum. This is because the Council has both a legal duty and a responsibility to its residents to ensure that income due is paid promptly. Effective income management is critical to the delivery of overall Council Service objectives.

With this in mind, the introduction of a Corporate Sundry Debt Management Policy will ensure we minimise debt and maximise rates of collection, are consistent in our approach and ensures that we assist customers who experience financial difficulty.

This policy applies to all sums raised by invoice using the Council's Financial Management System.

The main service areas where debt is raised on the Financial Management System are:

- Building Control
- Community Alarms
- Licencing
- Commercial Rent (Asset Management)
- Waste management

Debts will remain the responsibility of the Service in which they were raised, and recovery action will be taken by the Finance Officers within the Financial Services Unit. It is the responsibility of the Services to assist the Finance Officers in collecting debts.

2. Aims of the Policy

The key aims of this policy are as follows:

- To maximise the level of income collected by the Council by;
 - implementation of a transparent charging policy
 - accurate and timely invoicing
 - reducing the level of debt arising
 - effective and timely recovery processes
 - utilising the appropriate recovery method by debt type
- To recognise that causes of debt vary and recovery methods should be focused accordingly.
- To circumscribe the income cycle from charging policy through to collection and enforcement.
- To ensure that debts are managed in line with legislative provisions and best practice.
- To foster good financial management and control across the Council.
- To ensure income relating to all types of debt is to be handled in accordance with the Council's Constitution, the Financial Regulations and this policy.
- To ensure performance in relation to debt recovery is reported through the relevant management structures of the Council.

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3. Responsibilities

Budget Managers must ensure that:

The Corporate Sundry Debt Management Policy is adhered to:

- Key principles of fees and charges are adhered to.
- The parts of this policy that apply to their Service areas are correctly followed.
- Specific attention is paid to prohibit the poor practise of raising large value invoices at the financial year end.
- They proactively support the achievement of corporate targets for debt collection.
- Budget Managers are fully aware of their responsibilities.
- Relevant systems and procedures are in place.
- Officers involved in the debt collection process are appropriately trained and are aware of their responsibility.

The Service responsible for raising the invoice must ensure that the evidence of the service provided is fully validated and that the invoice is accurate and contains sufficient detail for both billing and recovery purposes.

It is the responsibility of the originating Service to ensure that the correct billing details are collected.

Internal Audit will provide assurance that this Policy is adhered to and is effective.

4. Good Practice

There are a variety of reasons why debt is created. Putting effective processes in place; charging and invoicing accurately and speedily, ensures that debts raised are correct and do not discourage timely payment.

Customers fail to make payments for a variety of reasons. Where people genuinely have difficulty maintaining their payments; the Council will make every effort to help. Others may deliberately set out to delay or not make payments at all. In these situations, the Council will take action to secure and recover payments.

The Council will follow the principles of good practice set out below:

- Fair charging policies that are reviewed regularly.
- Payment in advance where possible.
- Promotion of Direct Debit as the default method of payment where appropriate, with a range of other payment options.
- Prompt and accurate invoicing.
- Provide information on where customers can find advice on ways to reduce bills and maximise income.
- Consider payment arrangements for those customers experiencing financial difficulties.
- Keep customers informed.
- Take appropriate recovery action.
- Multiple debt management - where the Council is aware of more than one debt owing.
- Review and write-off debt where appropriate.

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5. Charging Policies

The Council will charge for all services where allowable.

The Council will design charging policies which are coherent and cost effective. Policies will be designed to be fair and easy to understand and administer. Charges should cover the full cost of the service unless there is an explicitly agreed subsidy or an alternative means of funding.

Individual services and departments will regularly review charging policies and fee levels to check that charges are adequate and are applied to all chargeable services.

Reporting methodologies are to be reviewed and improved to ensure that there is a corporate view of the effectiveness of charging and collection policy and delivery.

6. Payment Options

Where payment can be taken before a service is provided these cases are to be identified and payment taken in advance, ensuring that no debt is raised in these cases. The Council should continue to review service provision where payments are not currently taken in advance to explore ways of moving them to taking payment advance where possible/ appropriate. When it is not possible to take payment in advance, the easier it is for the customer to pay a debt the more likely it is that payment will be made.

Where appropriate, Direct Debit should be promoted to spread the cost of repayments for customers. Where a customer is unable to pay by Direct Debit or it's not appropriate (e.g. for a 'one off' invoice), the Council will encourage a range of payment options which should be convenient for the customer and cost effective for the Council, with an emphasis on payment by automated channels to reduce administration.

7. Prompt and Accurate Invoicing

The Council will:

- Produce accurate and clear invoices promptly.
- Respond quickly to customer queries regarding their invoices.
- Produce clear invoices in plain English and show:
 - what the invoice is for,
 - the amount due and, if applicable, instalment amounts and payment due dates
- How to make a payment.
- Contact details for enquiries - including e-mail and website details of the Council's fair usage and data protection policy.

All invoices must be raised to a correctly named legal entity. In the event of non-payment, legal action cannot be taken against a non-legal entity. Legal entities are:

- Individuals
- Sole Traders
- Partnerships
- Limited companies
- Charities limited by guarantee
- Clubs run by a committee
- Trustees

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- Executors or Personal Representatives

Where services are used over a period of time, the Council will consider periodic invoicing.

8. Raising an Invoice

A more commercial attitude should be adopted whereby fees and charges are obtained in advance or at the time of service provision. Where goods or services provided need to be paid for after this, then the Council offers credit facilities wherever it is considered prudent to do so.

By raising an invoice, the originating department agrees that approval to take appropriate recovery action, including court action when necessary, is granted at the time that the debt is raised.

However, the following points should be considered before raising an invoice:

- Fees and charges are payable in advance or at the time of using a facility or service, etc.
- It should not be used as a mechanism for negotiating sums due to the Council.
- They should not be raised for amounts less than £15.

The exception to this is licences, rents and leases connected with occupying Council land and property.

The content (narrative) on the sales order should be concise and of sufficient clarity to ensure that the customer fully understands the charge. This must include the nature of service, date, periods of time, location, full contact details and a purchase order number (if applicable). Sales order requests will be rejected in the Financial Management System (Agresso) if any of the specified details are omitted.

9. CREDIT ASSESSMENTS

Due to the type of services and facilities the Council provides and the duties it is obliged to undertake, it is not possible or feasible to assess all the customers of the Council.

However, there are certain areas of the Council's business where a credit check should be undertaken of potential customers before the service or facility is provided.

This is in relation to potential leaseholders of commercial and industrial property where a satisfactory bank and trade reference or other suitable credit check, should be obtained prior to a letting.

This is undertaken by the Property Services Unit in conjunction with the Council's lettings agent and may comprise of the following checks being made:

- The customer being asked to provide two trade references and their bank details so that references can be obtained. This will give some indication as to their trading experience and payment history with other suppliers.

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- A bank reference will give an indication as to the customer's ability to pay the amount of the contract/service to the agreed terms stated in the contract. The clearing Banks currently charge an Administration Fee which is payable by the enquirer.
- Access through an Information Database which means that a search can be undertaken on every address registered in the United Kingdom for any detrimental information which is held against the persons registered as living at the property address provided. If the potential customer is a registered Public Limited Company (PLC) or Private Limited Company (Ltd) then where possible a more detailed credit assessment may be undertaken.

Credit/Service provision must not be given to customers who previously have been consistently late payers or have not paid at all. Only the Strategic Director (Corporate Resources) can approve credit facilities where a customer has previous history of non/ late payment.

Preferential credit limits must not be agreed for any customer.

10. Opening new accounts

Due to the variety of services and facilities that the Council provides, it is the responsibility of each Department to ensure that all of the required details to raise an account are obtained from the customer. The required details are listed below:

- The identity of the customer, i.e. a PLC or Limited Company, sole trader, partnership, public body, voluntary organisation, club or society.
- In the case of a limited company, the Registered Office address of the company and the address of the Company Secretary where invoices should be sent.
- In the case of a partnership or sole trader, their full names and their trading name, together with their home and trading addresses.
- In the case of members of the public or voluntary organisations, club or society, their full name, home address and status of the person in the organisation and written confirmation that they take personal responsibility for any invoice raised against the organisation, club or society.
- In general, the invoice address if different, together with the contact details of where the invoice is to be sent.

These details should be obtained by the relevant department prior to the provision of the service or use of a facility, etc. Where possible, the department should obtain written confirmation from the customer stating they understand they will be responsible for full payment of the service or use of a facility prior to it being provided by the Council.

All details should be passed promptly to Finance who should ensure that there is no duplication or conflict with similar customers already set up.

At this time, departments should make new customers aware of the Council's standard payment terms and refer any possible request to deviate from this to the Finance Officers.

If the service or facility being provided is on a contractual basis then each Department must ensure that the customer:

- Reads and understands all the terms of the contract.
- Is informed both verbally and in writing of the Councils Payment terms.

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- Informed that if payment is not received then the person who signed the contract personally liable for the debt.
- Is age 18 years or over.
- Must sign and date the contract and a copy is given to them for their records.
- Is informed that an invoice will be sent for the charge of the service/facility.
- Is aware of the VAT implications relating to that particular contract.

11. Payment Terms

The Council will collect monies owing to it fully and promptly.

Payment terms will only be granted where the customer is not able to settle the debt in full in one payment.

On receipt of an invoice a customer can make arrangements to clear the amount outstanding by way of instalments. Payment should be made by direct debit wherever possible.

All requests from customers to enter into arrangements for payment must be referred to the Finance Officers regardless of the amount. The Finance Officers will set up and monitor all payment arrangements.

The Finance Officers will withdraw payment terms if a debtor fails to honour the agreement entered into.

Where invoices are raised payment becomes due after 30 days (or less where agreed).

12. Accounting Arrangements

Services will receive the credit when an invoice is raised.

Any third-party fees or charges associated with recovering a debt will be charged to the Service.

Where debts cannot be recovered, the original credit will be debited from the Service budget by way of a write-off; all write-offs to be signed off in accordance with the Financial Regulations.

Refunds of any overpayments will be processed by the Finance Officers only where there are no other debts outstanding for that customer.

Should a customer have an outstanding debt then any overpayment will be off set after the customer has been informed.

Credits less than £5.00 will not be refunded.

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13. Methods of Payment

The Council's preferred method of payment is in electronic form and this is encouraged as much as possible.

These payment methods are as follows:

- Automated Telephone Payments
- The Internet –Council's website/Customer's internet banking accounts
- Direct Debit

Other forms of payment accepted by the Council are as follows:

- Kiosk - Credit and Debit cards (in person)
- Credit and Debit cards over the telephone to Customer Services
- At a Post Office and other Payment Points
- Cash and Cheques

However, the Council recognises that the nature of its customers means that in some cases payment by cash will remain the preferred option.

14. Account Control

The Council aims to be more proactive in the collection of sums due from its major non-consumer debtors. This involves liaison with these debtors on a regular basis.

Adopting a pro-active approach to the collection of sums due to the Council and ensuring follow up contact after the issuing of the invoice ensures the payment of larger sums within the terms of this Policy.

The Finance Officers will assess accounts on individual merit and circumstance.

The Council will work alongside welfare and advice agencies in dealing with debts due to the Council (either singly or as part of a multiple debt scenario that may include other organisations) and actively signpost, with the debtor's approval, such cases as are considered appropriate to those organisations.

In the case of multiple debts due to the Authority the Finance Officers will coordinate recovery activity and balance repayment profiles across all debts due to the Council.

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15. Recovery Process

Where an account is not settled by the due date, based on best practice guidance, the following process shall apply:

The Council's approach to recovering debt raised via its Financial Management System will be consistent, transparent, firm, fair and courteous.

Consistency means taking a similar approach in similar circumstances to achieve similar ends. The Council aims to achieve consistency in the advice it gives, the use of powers, and the recovery procedures used.

The Council recognises that consistency does not mean simple uniformity and will take account of many variables such as the individual's needs, circumstances, and ability to pay and the need to secure the debt on behalf of the Council.

Transparency is important in maintaining public confidence; helping people to understand what is expected of them and what they should expect from the Council and clearly explaining the reasons for taking recovery and enforcement action.

Recovery action will be taken in a timely manner and wherever possible technology will be utilised to automate and expedite processes.

A written explanation of any rights of appeal against formal enforcement action will be given before or at the time the action is taken.

16. Recovery methods

The Council will differentiate wherever possible between those who can't pay, those who won't pay and those who have gone away. The purpose of this differentiation is to target the most effective recovery methods to recover the debt.

A range of recovery options will be used where arrangements to pay have broken down. The choice of recovery method will depend on a number of factors including the method available for a particular type of debt, but options can include:

- Adding interest and/or costs to the balance outstanding.
- Referral to a Civil Collection Agent to pursue the debt.
- County Court Judgement, which could allow any of the following:
 - Warrant of Execution (County/High Court Enforcement Agents)
 - Charging Orders
 - Attachment of Wages
 - Freeze assets or money in an account
 - Bankruptcy/ Liquidation
 - If applicable, the forfeiture or the lease/tenancy

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The Council will always take recovery action where a customer does not pay and does not say they are having difficulty paying. If the customer tells us soon enough that they are having problems and we agree a payment arrangement, we will not take any further recovery action. However, if we have started recovery action (e.g. we have sent the case to a collection agency) the customer will need to make an arrangement with the agency.

The Council will provide customers with information on where to find debt and money advice.

17. Stages of Recovery Action

- 1st Reminder sent after 30 days of the invoice date.
- 2nd Reminder sent 14 days later – a notice the debt has been transferred to debt recovery for action.
- The Customer has 7 days in which to make payment or to inform the Council as to the reason for non-payment.
- If no payment after 7 days a Claim Letter (Letter before Action) is issued.
- The Customer has 30 days to respond to the claim and if no payment or response to the letter, a course of action is decided i.e. legal proceedings commence or refer to collections agency.

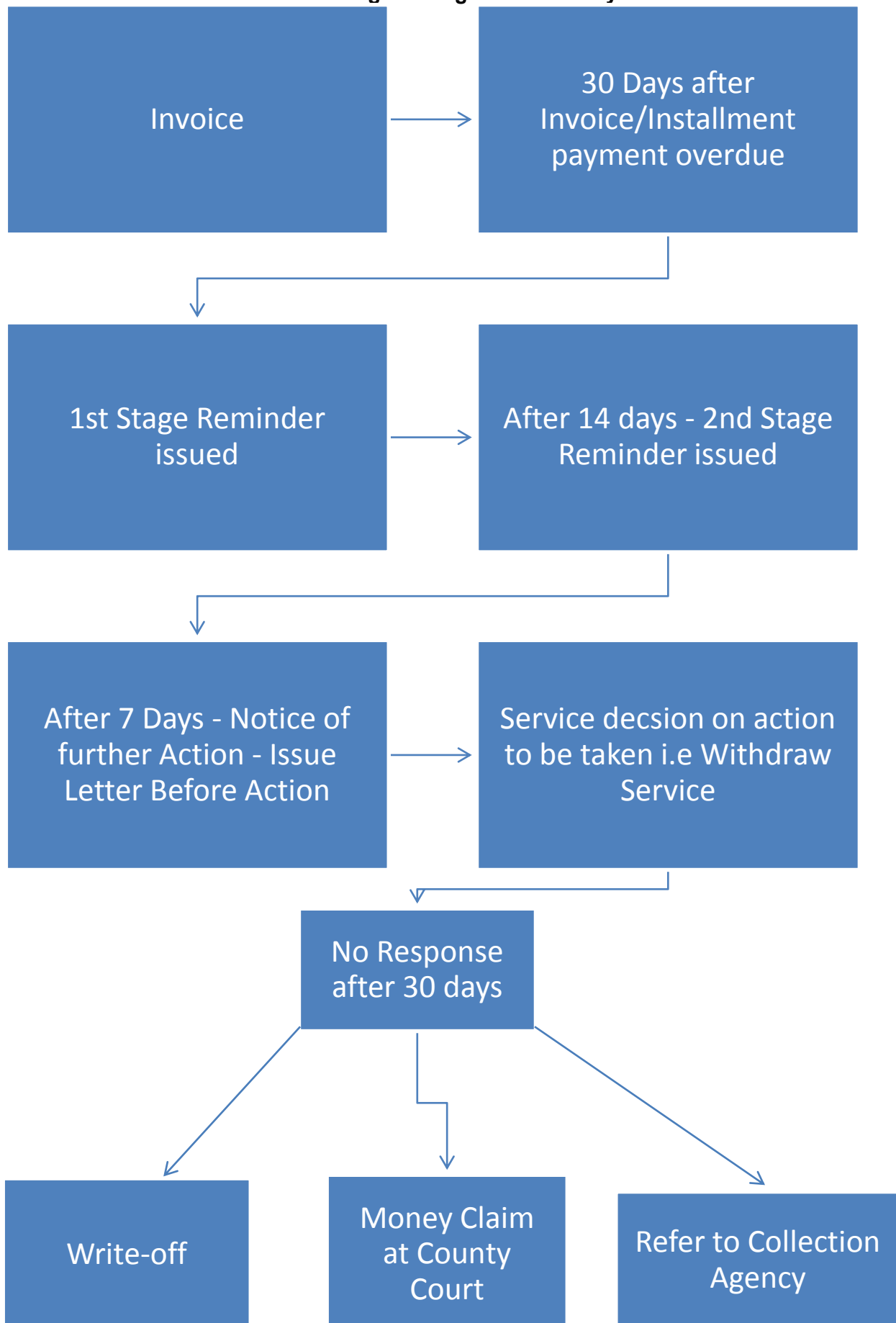
In addition to the above, every effort will be made to contact to customer via telephone/ email prior to each recovery stage to increase the likelihood of the invoice/ instalment being paid, including prior to the invoice/ instalment becoming overdue where the customer is not paying by direct debit.

Prior to statutory methods of enforcement being taken, the Finance Officers may use, where cost effective to do so, external collection agents, and telephone debt chasing as alternative means of recovering debts.

This process is co-ordinated by the Finance Officers and supported by the Council's Legal Services, where necessary for undefended matters. In relation to defended matters only, these matters are referred to Legal Services when it becomes evident that the matter is to be defended by the debtor.

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Flow Chart showing the stages of Recovery Action



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18. DISPUTED INVOICES

Where a customer disputes an invoice, the Finance Officers shall refer the matter to the department that originated the request for an invoice. It is the responsibility of that department to resolve the issue of the dispute and to ensure that they have all the required information to substantiate any sundry debtor account which is issued by their department. The contact name and direct line telephone number appear on invoices.

At all times, the department that originated the request for an invoice must keep the Finance Officers informed of the status of the dispute and whether the collection of debt should be suspended or re-commenced by the Finance Officers. This will ensure that the collection cycle is managed appropriately.

To help customer service and efficient debt collection, all disputes should be resolved within 28 days in accordance with best practice guidance.

Where an incorrect charge to a customer has been made by the department that originated the request for an invoice, or the address provided for the invoice was incorrect, the department must inform the Finance Officers within 3 days of discovering the error and provide instructions as to how the matter is to be resolved.

Where the dispute relates to a charge of sub-standard work, goods not received or service not provided, then these may normally take longer to resolve.

However, they should never be left unresolved and it is the responsibility of departmental managers providing the service to review on a regular basis any disputes under their responsibility and bring to a conclusion as soon as possible.

In any event, after 30 days, it is expected that the account is either paid or recovery action recommended. If no action to resolve the dispute is taken within the 30 days a credit note will be raised and this is charged back to the relevant departmental cost centre.

A dispute is not resolved unless it meets one of the following conditions:

- Customer is correct and gets full credit.
- Customer is partly correct, gets partial credit and accepts revised charge.
- Customer is incorrect and accepts the charge.
- Customer is not correct but does not accept the situation and the Council is prepared to commence legal proceedings.

19. CREDIT NOTES

Some invoices raised may ultimately be incorrect and require cancelling or the charge reduced. This could arise from a customer dispute or be identified internally.

Where a corresponding credit note is required, the relevant service area should authorise Finance to deal with this by completing a Credit Note/Invoice Cancellation Request Form, setting out a brief explanation of why the change is required and the invoice it relates to.

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The Finance Officers may initiate a credit note for invoices raised that contravene the Credit Policy at any stage of the recovery process.

The above does not preclude the debt from being reinstated if circumstances change.

20. Recovery Considerations

If a customer is vulnerable (e.g. elderly, seriously ill, mental health issues) and this makes it difficult for them to pay, we will try to avoid recovery action and provide the assistance they need to make payment. We can only do this if we know the customer's circumstances.

Where it has been identified that a customer is suffering from financial difficulties or other extenuating circumstances, the Council is committed to providing advice and support as well as a variety of payment options including:

- Holding enforcement action once a customer makes contact to inform of a difficulty in making payment.
- Voluntary payment solutions considered in preference to statutory or civil remedies.
- Past history of payments should be considered when making a decision to proceed with enforcement action.

Where a payment solution is agreed this should be confirmed in writing by the Council including any action that will be taken should the agreed payments not be made.

Payment solutions should be made with an agreed up-front payment from the debtor whenever possible.

Where a payment solution cannot be agreed, the debtor will be advised of the reasons why and that the recovery process will continue.

The Council will always ensure that the recovery method is appropriate for the amount of debt. Collection Agents will not be engaged for any debt less than £150. All unpaid debts over £150 are subject to potential recovery through the courts.

Departments are responsible for ensuring that necessary supporting evidence is available to ensure that amounts owed are recoverable through the courts.

Where the debt is for an ongoing service provided by the Council which the Council does not have to provide (for example Trade Waste) we will stop providing the service until the debt is paid or an acceptable special payment arrangement is made.

21. Principles of Enforcement

We will follow the principles of enforcement outlined below:

- Our approach will be consistent – with the aim of achieving consistency in the advice we give, the use of our powers and in the recovery methods we use.
- Our actions will be transparent – to help customers to understand what is expected of them and to explain the reasons for taking any recovery action.
- Our actions will be proportional – we will only use the most severe sanctions for the most difficult/ high value cases.

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22. Complaints and errors

If an error or mistake is made in the process of recovering debt the account will reviewed and appropriate action taken.

If a customer is unhappy with the service provided or disagrees with the decisions made they are able to complain through the Councils standard complaints procedure.

During the process of enforcing payment of outstanding debts it is possible that evidence or facts emerge after enforcement proceedings have been taken or have been completed. In these cases the Council will take appropriate action to remedy the situation as far as possible.

23. Write-offs

Where a debt is deemed to be non-recoverable (or a credit non-refundable), it needs to be identified and dealt with promptly in accordance with the Financial Regulations.

Writing off irrecoverable items represents good financial management. It allows staff to concentrate on recoverable debts and ensures that the level of debtors/arrears within the accounts is accurate and represents a true and fair reflection of the Council's financial position.

24. Reasons for Write-Off

Every effort will be made to recover a debt owing to the Council before it is considered for write-off. This includes sending reminder letters, contacting customers/businesses by phone and email, performing tracing activities, cross-referencing other internal databases (e.g. housing, Council Tax, register of electors, etc.).

Debt may be passed to a collection agency where all attempts to recovery the outstanding debt within the authority have been unsuccessful, or a county court judgement sought.

Only where all recovery action has failed, is a debt regarded as irrecoverable.

Reason	Description
Insolvency	Debtor is the subject of bankruptcy, individual voluntary arrangement, liquidation, company voluntary arrangement & administration order or administrative receivership proceedings or has ceased to trade or is subject to a Debt Relief Order.
Unenforceable	Debtor is overseas or the debt is over 6 years old.
Absconded	Tracing action has failed to find the debtor
Uneconomical to Collect	Balance is too small for further action
Uncollectable	Custodial sentences / remitted debts / vulnerable people / hardship / local authority error.
Deceased	No funds in an estate

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Should a debtor be subsequently traced, a debt will be re-instated if considered economically viable to recover and it is within the statute of limitations.

In cases where the debtor is jointly and severally liable for the debt with another party, recovery action will continue against all liable individuals and only if this action fails, will monies be recommended for write-off.

There will be instances where the council will need to write-off a credit that remains on a closed account. Not knowing the whereabouts of the creditor (or not having sufficient information to determine how or when a credit is to be refunded) will be the reasons for writing off a credit.

Procedures to be undertaken prior to obtaining write-off approval

The procedures to be followed prior to writing off a debt/credit are analysed below. Once the actions have been undertaken, only then will a debt/credit be included on a list of cases submitted for write-off.

Insolvency

Bankruptcy

Upon notification of a bankruptcy, a proof of debt will be completed for the outstanding debt that is due at the date of the bankruptcy order and submitted as a claim to the trustee in bankruptcy. In the event of payment being received in full or part from the bankrupt's estate, this money will be credited back to the relevant account.

Individual voluntary arrangement

A voluntary arrangement is an alternative route available to an individual wishing to avoid the restrictions placed upon them by a bankruptcy order. It involves the debtor making an offer to all creditors, which is less than the full amount of the debt outstanding, and agreeing that it be repaid over a period of time in full and final settlement. If 75% (in value) of creditors agree to the offer as an alternative to proceedings for bankruptcy, an insolvency practitioner will be appointed to administer the voluntary arrangement. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Liquidation

Liquidation may either be compulsory (sometimes referred to as a creditors' liquidation) or voluntary (sometimes referred to as a shareholders' liquidation, although some voluntary liquidations are controlled by the creditors). Upon notification of liquidation, a proof of debt will be completed for the outstanding debt that is due at the date of the winding-up order and submitted as a claim to the liquidator. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Company voluntary arrangement / administration order

A company voluntary arrangement is an alternative route available to a company wishing to avoid the making of a winding up order. It involves the directors making an offer to all creditors, which is less than the full amount of the debt outstanding, and agreeing that it be repaid over a period of time in full and final settlement. If 75% (in value) of creditors agree to the offer as an alternative to liquidation, an insolvency practitioner will be appointed to administer the voluntary arrangement. In the event of payment being received in full or part, this money will be credited back to the relevant account.

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Administrative receivership

This involves an individual being appointed by a lender, usually a bank, which holds a debenture as security over a floating charge on assets of the company, and usually takes effect where the company is in default of agreed lending terms. An insolvency practitioner will assume immediate control of the company in an attempt to sell it as a going concern. However, although remaining in occupation, no action can be taken against the receivers appointed to enforce payment of previous or on-going rate charges. In the event of payment being received in full or part, this money will be credited back to the relevant account.

Company has ceased to trade leaving no assets

On occasions, limited companies will cease to trade on the grounds of having no assets to pay an outstanding and / or on-going debts. They do not go through the formal process of winding-up proceedings, which carry a cost and have legal implications. Where this occurs, the authority could take steps to put the company into compulsory liquidation although this action is costly and is highly unlikely to secure payment.

In these circumstances, if it is proven that an enforcement agent has failed to recover monies due, or identify assets on which to levy distress, a recommendation for write-off will be made.

Debt Relief Order

Debt Relief Orders are aimed at those that have £15K or less of debts, assets of less than £300, disposable income of less than £50 per month and really cannot afford to go bankrupt, but need relief from their debts and creditors. The debt will be written off the system but will be monitored periodically, as the debtors circumstances must remain the same for a period of 12 months in order for the DRO to remain in place.

Unenforceable

Certain debts will fall outside of legal jurisdiction either because the debtor is overseas or six years may have passed since recovery action had been instigated against a debtor and the debt was last acknowledged.

If a debtor is overseas and contact in writing has failed to result in payment or an arrangement to pay, a recommendation for write-off will be made. Evidence supplied from external sources would be used to determine this.

In cases where six years may have passed since recovery action had been instigated against a debtor and the debt was last acknowledged, the whole debt will be submitted for write-off. Evidence on what action, if any, has been taken will be used to determine this.

Abscond

Closed accounts where no forwarding address is known and the debt is under £150.

For any finalised account with a balance of under £150, staff will make basic checks of the authority systems and known third parties, (i.e. solicitors and letting agents). If, after a three month period, a new address is not established, the debt will be submitted for write-off.

Debts where no forwarding address is known and the debt is £150 or more

Before the debt can be recommended for write-off, the following enquiries will be undertaken by staff:-

- Check Council Tax or NNDR database to identify if the person has re-registered at another address within the authority area.
- Check with housing department etc.

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- Check electoral register.
- Contact landlord or letting / estate agent.
- Contact other local authorities.

Conduct third party searches (i.e. through 'Experian' or similar companies).

If, after all enquiries have been completed, a forwarding address has not been established, the amount will be submitted for write-off.

Uneconomical to Collect

Balances of £5 or less will not normally be sent reminder letters. Where the outstanding balance is £25 or less, the Finance Officers will check the status of these cases and, where appropriate, put the balance to the Financial Services Manager for write-off.

Uncollectible

Debts written off due to the debtors known personal or financial circumstances

Where sufficient evidence has been gathered regarding the debtors current personal or financial circumstances that would inhibit recovery of the debt, the debt can be written off at the discretion of the relevant authority depending on the balance outstanding.

Debts that have arisen because of local authority error

If a debt has arisen as a result of a local authority error, the possibility of recovering the debt would be considered in the first instance. If that proves impossible (i.e. legislation prevents recovery or the fault is not of a debtors doing) the debt will be written off. Details of the events that gave rise to the debt being incurred will be taken to evidence this.

Deceased

Where a debtor has died and the estate is insolvent, the debt will need to be written-off. A letter from the executor confirming there are no assets from which to discharge any outstanding liability will be taken to determine this.

25. Authority for Write-off

All decisions for write-offs need to be made by the individuals who have the authority to write-off the corresponding level of debt.

There are 3 levels of write-off:-

- Authority of the Financial Services Manager - Debts up to but not exceeding £25 (including aggregated debts for one debtor)
- Authority of the Strategic Director (Corporate Resources) - Debts up to but not exceeding £2,500 (including aggregated debts for one debtor) (and for all credit balances)
- Authority of the Finance and Management Committee on recommendation of the Chief Executive and the Strategic Director (Corporate Resources) - Debts greater than £2,500 (including aggregated debts for one debtor)

There is no necessity for Member approval to write-off amounts however in the case of significant amounts it is appropriate to advise Members accordingly.

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The procedures to be followed for each level of write-off are set out below:-

- **Debts not exceeding £150 (including aggregated debts for one debtor)** Where the debt is not greater than £150 and normal recovery procedures have failed to secure payment and the debt is deemed to be uncollectable or uneconomic to pursue further, the delegated authority to approve write-offs lies with the Strategic Director (Corporate Resources).
- **Debts greater than £100 but not exceeding £10,000 (including aggregated debts for one debtor) (and for all credit balances)** Where the debt is greater than £150 but no greater than £2,500, and normal recovery procedures have failed to secure payment and the debt is deemed to be uncollectable, the delegated authority to approve write-offs lies with the Strategic Director (Corporate Resources).

The above procedures will also apply to how credit balances are treated; irrespective of the amount involved.

- **Debts of £2,500 and over (including aggregated debts for one debtor)** for the write-off of debts £2,500 and over, it will require a full report to be submitted to the Finance and Management Committee for approval. Once authority has been given by the Committee, the Finance Officers will be notified that the debt can be written off.

Reporting of debts for write-off will be batched as follows:-

- Listed on a spread sheet showing the customer number, invoice amount and supporting documentary evidence for each case which demonstrate the steps that have been taken to recover the debt and, if appropriate, the steps that have been made to trace the debtor.
- Summarised on a front sheet detailing the total amount of debt to be written off
- If there are exceptional debts within the write-off batch (i.e. an extremely high debt or a very old debt), then a brief report will be given. This is so that the authorising person or executive can make a decision based on all the facts.

When debts are written off, they are to be recorded against the bad debt provision, which is reviewed annually. An aged debt analysis is to be maintained and managers kept informed so that there is awareness and understanding of how much debt there is that might be irrecoverable. This will assist with the calculation of the bad debt provision and to identify trends in recoverability.

26. PERFORMANCE MEASUREMENT AND MANAGEMENT REPORTING

The Council recognises that prompt recovery action is key in managing its debt and maximising income. The following performance information should be compiled:

- Debtor Days are reviewed by the Financial Services Manager on a monthly basis. This is a standard and commonly used indicator that identifies the average number of days for the organisation to receive payment for its invoices. The Council should aim to achieve a period-on-period reduction in average debtor days.
- The proportion of outstanding debt that is more than 90 days old from date of invoice is reviewed by the Financial Services Manager on a monthly basis. This indicator examines the ability of the Council to recover outstanding debts from customers and adopts the commonly used 90-day credit period. The Council should aim to achieve a period-on-period reduction in the proportion and this indicator should be used in tandem with Debtor Days monthly report.

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- Credit notes as a percentage of total customer invoices raised provided is reviewed by the Financial Services Manager on an annual basis. This examines the accuracy of invoices raised by reviewing the number of credit notes required to make adjustments to invoices previously raised. The Council should aim to achieve a period-on-period reduction in the percentage.
- Monthly reports on recovery activity to originating departments provided by the Finance Officers.

Therefore, the Council will:

- Set clear targets for the recovery of debt.
- Have clear written recovery procedures.
- Have in place regular and formal reviews with partners and agents
- Set priorities for specific areas of debt and assess recovery methods to ensure maximum efficiency and recovery levels.

The performance information should be produced for the Financial Services Manager on a monthly basis. Information should be reported quarterly to the Finance and Management Committee alongside some narrative to explain the figures, trends, actions required, etc.

The main benchmark is the Council's own past performance and trends, etc and these are the indicators on which improvement should be based. However, wherever possible, comparisons are made with other local authorities and local government generally, through published information or benchmarking clubs, etc.