

Sundry Income

Introduction

- 1.1. It is written into the Income & Arrears Management Policy (“The Policy”) that the Council will take a commercial approach and endeavour to recover all Sundry Income raised to maximise its income. With this overall objective in mind we must:
- Raise all Sundry Income through the Council’s Finance system both promptly and correctly
 - Act quickly, fairly and impartially when unpaid income is subject to recovery action
 - Reduce the time taken to collect charges
 - Reduce the level of debt owed to the Council and hence its risk of bad debts, and
 - Reduce the incidence of debt that cannot be collected and lead to write off.
- 1.2. This is supported by:
- Promoting ownership of all invoices raised and debts owed across the Authority
 - Ensuring (wherever possible) that collection of the fee or charge involved takes place prior to the service being provided so that credit is only given when it is essential to do so
 - Promoting a system of active credit control
 - Ensuring invoicing procedures are carried out on an accurate and timely basis
 - Requiring that evidence to support the invoice exists in the form of an order or other written contract
 - Encouraging debtors to pay promptly, use the cheapest payment method, and
 - Making the overall collection and enforcement activity as efficient as possible.
- 1.3. The Council recognises that failure to achieve income and collection targets will have financial and service consequences. Performance will be reviewed on a quarterly basis by the Business Intelligence and Performance Manager, liaising as appropriate with other relevant managers and staff and this information will be reported as part of the Council’s wider performance updates to senior officers and members.

Scope

- 1.4. This section excludes the following debts as they are subject to their own legislation / regulations:
- Council Tax
 - Business Rates (National Non Domestic Rates)
 - Housing Rents
 - Housing Benefits Overpayments and Excess Council Tax Support

Key Objectives of Fees and Charges

- 1.5. The fee or charge imposed by the Council (and agreed at Full Council in December each year) or any subsequent amendments should be fair in relation to the goods and/or services provided.
- 1.6. The charge should reflect the principles outlined in the appropriate charging policy and in the Council's Financial Procedures.
- 1.7. The charge should, depending on legislation, always at least cover the cost of providing the goods or service and the costs of collection, unless the Council has taken a policy decision to subsidise the service.
- 1.8. The charge should wherever possible be obtained in advance of the goods and/or services being provided. If not, and where appropriate, the prior written agreement of the person receiving the goods and services should be obtained to pay for the goods and/or service.
- 1.9. The charge should be collectable.
- 1.10. There should be a clear and prompt invoicing and collection processes in place.

Responsibilities

- 1.11. Heads of Functions, Operational Managers, Business Intelligence and Performance Manager and the Finance Business Partner must ensure:
 - Financial Procedures (especially around income generation) for collecting sundry debt are adhered to
 - The parts of the policy applying to their services are correctly followed
 - All monies due to the Council under contracts, leases or other agreements and the termination of use or change of user affecting this income must be reported
 - They proactively support the achievement of corporate targets for debt collection
 - Officers directly responsible for budgets are fully appraised of their responsibilities
 - Relevant systems and procedures are put in place to facilitate both the prompt raising and recovery of unpaid invoices within acceptable timescales
 - Staff involved in the debt collection process are appropriately trained (to include the use of Legal), and the success of training is kept under continuous review
 - The Council's automated authorisation list must be kept up-to-date. This list details all officers that can give approvals for write offs, credits, refunds, cancellations and debt recovery.
- 1.12. The Operational Manager and Case Manager Leads are responsible for providing central support and the relevant electronic processes needed to ensure adherence to the policy.

General Principles

- 1.13. Officers must try to get payment in advance or at the time of service delivery wherever permissible. Sundry debt accounts should still be raised on the Corporate Finance system so payment can be correctly allocated.
- 1.14. Dependant of the amount being raised checks should be made before the service is provided to minimise risks of bad debt. These checks can include vetting of a company/customer to assess their financial strength and consequently assess the risk of future non-payment. Investigation can also be made to see if they have failed to re-pay a debt(s) owed to the Council in the past. If a customer has a poor payment history or has been subject to a write off a potential bad debt flag will appear when setting up a new invoice on the Council's Finance system – staff should not simply dismiss this warning but seriously consider whether a further invoice should be raised. If in any doubt seek advice from a more senior member of staff.
- 1.15. It is **crucial** to ensure any debt is properly established. Inadequate legal proof of liability will make collection difficult if not impossible. It is vital there is sufficient supporting documentation to enforce the debt through written agreements, or official order numbers. The full name and up-to-date address of the debtor should be clear before a service is provided.
 - If the potential debtor is a commercial organisation - the issuing service will consider the risk of trading with that company and the risk of providing credit duly assessed, including via the use of a credit check, and request payment in advance of the goods or service being provided, if necessary
 - If the debtor is a private individual - check if any existing debt exists in the Council against the individual, or whether the Council has had difficulty enforcing payment of previous debts in the past, and request payment in advance of the goods or service being provided if necessary
 - If an invoice is to be raised - the issuing service will ensure enough supporting documentation exists to enforce the debt in the event of non-payment.
- 1.16. The minimum value of any invoice raised will be determined annually by the Finance Business Partner. This has been agreed at £10.00. However such a minimum value shall not apply to accounts relating to legal charges for rights of access or drainage charges where a contractual duty exists to make such token payments. Also if an adjustment is made to an ongoing contract it is entirely possible the amount could fall below this level and this should not prevent an invoice from being raised.
- 1.17. Reminder notices will not be issued for any invoices that have a balance of £5 and below.
- 1.18. Except for an invoice payable by instalments, or as otherwise contractually agreed, or a change to a particular service area agreed in house, the standard settlement terms for invoices will be **14 days**. However, bespoke payment terms currently exist in service areas such as Piper Lifeline, Licencing and the Crematorium.
- 1.19. For a standard invoice, recovery action will start no later than 17 days after the invoice has fallen due.

- 1.20. Raising sundry debtor invoices will fall into the Customer area of responsibility and should only be raised on the Corporate Financial System.
- The correct details of the debtor should be clearly shown on any invoice, with the most current address used. In the event the invoice is raised to a large organisation it should be clearly directed to the relevant department or contact
 - Details shown on the invoice should be comprehensive and clear to the invoice recipient so that the risk of dispute is minimised. Full details of the service provided should be clearly shown on any invoice, including relevant dates, order references, PO, agreements, contact name and email/telephone number, the correct amount of VAT have been applied and any other relevant information that will hasten quick payment and minimise any possible delays or disputes
 - An invoice **must** be raised within **14 working days** of the charge becoming known
 - Invoices raised must be sent to customers within **48 hours**.

Account collection & recovery

- 1.21. The Council has a pro-active approach to collection, to ensure that any disputes are quickly identified and resolved before the account is due for payment.
- 1.22. For individual debts with a value of **£5,000 or greater**, an officer will obtain contact details of a named individual who will receive the invoice (in the case of a company this is likely to be someone within that company's accounts payable team) and will diarise to check whether payment has been made on time. Where payment has not been received an officer will telephone the named individual to establish why payment has not been made and to obtain a date when payment will be made. Further follow-up calls will be made as necessary.
- 1.23. The Council will take prompt action in respect of any customer that:
- Fails to abide by any terms and conditions relating to any account or fails to keep any payment promise as set out within any contractual documentation or agreed verbally or in writing in the normal course of collection procedures
 - Refuses to pay without a valid reason
 - Refuses to pay interest charges on late payments in respect of invoices that have not been subject to a valid dispute
 - Refuses to pay collection costs when the services of a third party have been used.

Recovery & Enforcement

- 1.24. In the event of non-payment of an invoice, recovery action will be owned and undertaken by case management. This typically will be in the form of issuing reminder letters, making telephone calls, sending emails and possible visits.
- 1.25. In the event that payment remains outstanding after this further recovery action, then case managers will seek advice from case manager leads or specialists due to various possible scenarios including referral to Collection Agents/Legal or to suspend service provision if legally permissible until outstanding debts are settled. It is absolutely **essential** that this action is done promptly to allow the recovery processes to flow fluently.

- 1.26. Case management leads and specialists will be responsible for the monitoring and actions in relation to services that fail to offer instruction in a timely manner.
- 1.27. To be clear the type of recovery options to consider will include:
- Telephone/email/visiting the debtor
 - Referral to a debt collection agency
 - Referral to a tracing agent (in the event the debtor has absconded and cannot be traced)
 - Legal action. Complex cases may need to be referred to the Council's Legal Service if it is felt the debt is recoverable unless the individual circumstances are such that this does not represent best value for the Council. Officers may also look to action cases themselves through Money Online and to consider further options available as the result of a County Court Judgement. Then they will consider if recovery of the debt is best progressed through the following options:
 - Order to obtain information (making the debtor attend court to explain their financial circumstances)
 - Attachments of Earnings Order
 - Third party debt order (allowing the freezing of bank accounts)
 - Charging Order
 - Statutory demand prior to a Bankruptcy Order or Insolvency proceedings
 - Writ of Control (carried out by a High Court Enforcement Officer)
 - The cost of Legal action will be initially charged to the originating section's budget although every effort will be made to recover legal costs from the debtor.
 - To instruct or ask for advice from Legal, the Legal Instruction Request Form must be completed and forwarded to admin.legal@mendip.gov.uk whereupon a solicitor and case reference will be assigned.
- 1.28. The costs of enforcement action/litigation to recover sundry debtor invoices will be charged against the headships budget that benefits from the income. Any costs recovered from the debtor will be credited against these sums.

Instalment arrangements

- 1.29. There should be a clear and consistent council-wide approach to the giving of credit (to include arrangements) and the collection of debt that is led by the policy.
- 1.30. In the event of customers requesting the facility of paying their debt over a period of time, the matter will be referred to case management who may agree a suitable payment plan accordingly subject to the following guidance. Unrealistic payment plans should never be entertained. The amount of the debt and the persons/company's ability to pay must both be factored in the equation. This is detailed in the overarching main policy.
- 1.31. The following table should be used, **as guidance only**, when agreeing short repayment terms:

Value	Terms (from date of invoice)
Debts below £500	No more than 3 months
Debts below £1,500	No more than 6 months
Debts below £2,500	No more than 9 months
Debts above £2,500	No more than 12 months

- 1.33 If it is not possible to recover the debt in full within 12 months, the decision regards repayment term must always be agreed by the service to which the debt relates. For further guidance in exceptional circumstances, alternative repayments may be offered with an ideal maximum repayment term of five years. Very occasionally arrangements may need to extend beyond five years and, in such instances, approval from a Case Manager Lead or Specialist from the particular service area that the debt relates must be obtained. No repayments should ever extend beyond 10 years. It is entirely possible that due to personal circumstances a short-term arrangement may initially span over this maximum period although through constant review no long-term arrangement is permitted beyond this period.
- 1.34 Such long-term payment plans will not be available as standard but may be available subject to negotiation between the case manager and the debtor. These negotiations may entail a “means enquiry” where necessary, where the customer will be asked to provide details of their financial circumstances to support their request to repay the debt over a period of time.
- 1.35 If there is any doubt as to whether the agreement is realistic (either because it appears to be too high or too low), officers will ask the individual to complete an income and expenditure form.
- 1.36 In the event instalment arrangements have been agreed with a debtor, the repayment plan will be monitored by the case manager. In the event of two consecutive instalment payments being missed, suitable recovery action will be undertaken through reminder letters and other recovery action.
- 1.37 Long-term payment arrangements (over 1 year) should be subject to an annual review and this will be monitored by case management.

Disputes/queries

- 1.38 Disputes must be resolved by the appropriate officer in line with the timescales detailed in their own policy/procedures.
- 1.39 A dispute is not resolved unless it meets one of the following conditions:
- Customer is correct and gets full credit note
 - Customer is partly correct and gets partial credit note and accepts the remaining charge
 - Customer is incorrect and accepts the charge
 - Customer is not correct and does not accept the situation but the Council is prepared to instigate collection agents or legal proceedings to recover debt.

Credit Notes

- 1.40 There should be a robust system in place that ensures the Council only retains credit for an invoice if the income has actually been collected. Credit Notes are only used to correct genuine invoicing errors and should not be confused with write offs of uncollectable income.
- 1.41 In accordance with the Financial Regulations all invoices of £1,000 and over, that require cancellation via a Credit Note, will require an officer to submit an authorisation request to the relevant Budget Holder. A clear reason for the Credit Note must be detailed. Once approved this evidence must be held on the Council's document management system.
- 1.42 In accordance with the Financial Regulations any Credit Notes below £1,000, evidence must be held on the Council's document management system, however authorisation from a Budget Holder is not needed.
- 1.43 Any Credit Note must not be authorised or processed by the same person who raised the original invoice.

Unallocated income

- 1.44 All unallocated income shall be dealt with on a daily basis by either allocation to the correct account/invoice, transferred or refunded.

Write Off Bad Debts

- 1.45 The Section 151 Officer is responsible for the arrangements dealing with write off of irrecoverable debts and in line with the Financial Regulations:
- 1.46 Any write off per debtor greater than £25,000 in any year will be reported to the Executive for information.
- 1.47 The Section 151 Officer is responsible for establishing a scheme of delegations for write offs.
- 1.48 Where a debt becomes uncollectable, any debts written off shall be in accordance with the following procedures:

Threshold	Sundry Income
£0 to £10	Customer Champion
£10-£100	Case Manager
£100-£1,000	Specialist / Senior Case Manager responsible for income activity
£1,000-£5,000	Head of Customer
£5,000 +	Section 151 Officer

Aged Debt

- 1.49 The Budget Holder will periodically review the outstanding debts pertaining to their functional area, and take reasonable action to aid the collection of those debts and / or consider suspending the provision of goods / services to the customer until all payments due have been made.

Interest on debts

- 1.50 Interest may be applied to all non-consumer debt as laid down in the Late Payment of Commercial Debts Act 1998. Similar interest may be applied to consumer overdue debt providing the consumer has received prior notification of such charge.
- 1.51 When legal proceedings are issued, interest can be charged for any debt at a rate of 8% from the date the debt arose until judgement is entered (S69 County Court Act 1984).
- 1.52 So not to make the financial position of the debtor worse, interest is not usually added to the vast majority of debts and in particular where it is known that the debtor is on low income or benefits. The debt will already have increased in any event by the addition of court costs.

Loans to staff

- 1.53 Any Council loans, for example an assisted car purchase or training costs for professional qualifications, are repayable in accordance with the terms set out in the Council's Human Resources policies. If the employee leaves the authority any outstanding loan amount becomes repayable in full by the last day of service. Any remaining amount unpaid will be administered through the Corporate Finance System and collected following the usual Sundry Debt processes.

Management reporting

- 1.54 Age Debt Analysis reports are available in the Corporate Financial System. These reports should be run regularly (at least monthly) by budget holders or designated officers so that an informed judgment on its bad debt position to ensure the Council's overall bad debt provision remains appropriate, as part of its budgetary monitoring process.
- 1.55 Case managers should also use the reporting tools on the Corporate Financial System to identify bad payers and in particular those that are overdue for more than 90 days. The Council must make sure that reports are in place so that bad/late payers are being subjected to most effective action in an effort to facilitate payment.
- 1.56 Quarterly, the Business Intelligence and Performance Manager will prepare a high end report to the Senior Management Team detailing the % of overdue debt that the extract relates and the following information:

Top 30 Overdue Sundry Debts (this extract relates to % of the total overdue debt)

Customer Number	Account Name	Invoice Number	Date Raised	Date Due	Number of Days Overdue	Reason for Invoice	Overdue Value	Location Code	On Last Quarters Report? Y/N	Notes/Update/Officer(s) Comments	Headship/Responsible Officer

1.57 Quarterly, the Business Intelligence and Performance Manager will also report the old debt Performance Indicator (debts owed from 31 March and older) to the Senior Management Team.