



DEBT POLICY for

SUNDRY DEBTS

Swale Borough Council

November 2024

Sundry Debt Policy 2024

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1. The Purpose of the Sundry Debt Recovery Policy

The purpose of this policy is to provide clear guidance for all Council officers on the recording, reporting, recovery and monitoring of income for sundry debts.

All service areas must follow this procedure to ensure that the Council maximises the collection of debts and income by using a co-ordinated approach but having due regard to the customer's ability to pay. The purpose should be to maximise income to the Council. Debt recovery must adhere to relevant regulations. The overall principal of recovery should be efficient and effective recovery of income owed.

This Policy only applies to sundry debts which are defined as all debts owing to the Council not including those for council tax, business rates, overpaid housing benefit, parking charges and environmental health fines.

2. Debt Recovery

A debt is something that is owed, in this case, money. A debtor is a person who owes the debt who has an obligation or liability to pay.

Debt recovery is the act of obtaining or collecting the debt which is owed.

The purpose of the Sundry Debt Recovery Policy is to establish guidelines for the recovery of sundry debts owed to the Council.

Sundry debt recovery is undertaken by the Finance Support Team to obtain/collect payment from a person, company or agent who has received goods or services from the Council.

The Debt Recovery Policy for Sundry Debts is based on best practice with consistent and effective processes to maximise the income and manage the Council's debt.

On a day to day basis, sundry debt recovery is undertaken by the Finance Support Officers (FSOs). This is to ensure a proactive approach to debt collection, as the Council recognises that it is essential to make early contact with debtors, and to allow a timely recovery of the sums owed.

The responsibility for the invoicing, collection and recovery of sundry debts is held by the Chief Financial Officer (s151 officer).

The minimum value of any invoice is £50.00 (excluding printing and advertising invoices).

No invoice should be raised unless they are valid and legally enforceable.

3. The Objective of Sundry Debt Recovery

The Council's objectives in relation to debt are

- to maximise income for the provision of services, the Council will collect all sundry debt owing to it promptly, effectively and efficiently;
- to provide an approach to the billing, recovery and collection of debt that is fair, consistent, and accountable;
- to use cost effective and fair collection and recovery practises ensuring that those with the means to pay do pay; and,

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- to ensure that the Council treats individuals equally, consistently and fairly, regardless of age, gender, disability and sexual orientation and to ensure that individual's rights under the Data Protection and Human Rights legislation are protected.

4. Invoice Types

Invoices are produced by request for a number of the Service Units within Swale Borough Council, including:

- Property Rents and Licences
- Water/ Electricity/ Insurance/ Waste Collection recharges
- Animal Establishment/ Grazing Licences
- S106 Contributions
- Ex-employee Car loans
- Grounds Maintenance
- Water Testing
- Training Fees
- Legal Shared Service costs
- Printing and Advertising
- Invoices on behalf of the Housing Unit to recover monies paid out to assist the homeless
- Housing Act 2004 Civil Penalties
- Charges applied to property, from works undertaken in default. (A notice will have been served prior to works being undertaken. Should the property owner fail to carry out remedial works the Council has a duty to do this and re charge the property owner. This type of debt is recorded on the Land Registry and interest is charge at 2% above base rate.

All invoice requests are processed though Accounts Receivables using the Council's main finance system.

Prior to submitting the invoice request the invoice requestor will need to check that the customer is set up within the finance system. If no customer has been set up, then a New AR Customer Request form is to be fully completed and emailed to the Finance Support Team.

When first engaging with a debtor, agreement should be made that the service of documents, including court documents, can be through electronic means.

5. Invoice Request Requirements

Service departments can raise a sundry debtor either:

- online on the Agresso finance system, or
- complete the invoice request form.

All regular users should raise sundry debtors online. If you are not yet set up to do this, please contact the Finance Support Team.

All sundry debtor requests must:

- have an "Invoice Requestor" shown as "Contact Officer" recorded. This is the person any queries will be directed to and not necessarily the person who completes the form.
- be completed with a full description, with no abbreviations.

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- carry sufficient detail, including relevant dates that apply, within the description to ensure we have clear and concise information related to the goods or service supplied, this ensures the customer fully understands the invoice.
- show a purchase order number (where applicable).
- have the correct cost centres and account (income) codes along with the correct VAT code.
- include the value of the goods/ services.
- be sent by email to customers wherever possible.
- state if the invoice is to be attached to other documentation, e.g. letters, contracts, etc, and these must be provided in electronic format (e.g. scanned image) wherever possible to the FSOs.

Please also note the following:

- It is vital that all the information provided at the start of the process is correct.
- It is the responsibility of the relevant budget manager for the service to ensure the validity of their invoices.
- All relevant information relating to an invoice (otherwise known as proof of debt) should be kept until at least six years after it is first issued. If at the end of that six-year period, the invoice remains unpaid, but payments are being made the supporting documentation should be retained until final settlement or write off.
- It is good practice to establish, precisely, the nature of any legal entity of the customer as there is a world of difference between a sole trader and a limited company. This is described in more detail below.

Legal Entities of Debtor:

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** - This is usually someone living at a residential address. When a request is received for a service the person's full name (title, forename(s) and surname) must be obtained and stated. Initials are not sufficient. If the request is made on behalf of more than one person then the full name of each person must be obtained and stated. The full correct postal address, including the postcode, must be stated.
- **Sole Traders** - Where an individual is trading in their own name the full name of the individuals as well as the business name must be obtained e.g. Mr John Brown, trading as Browns Painters. Evidence of the name of the business could be in the form of a request for services on a business letterhead. The individuals full postal address must also be requested.
- **Partnerships** - **"LLP"** must be added where applicable otherwise the full names of one, two, or more must be stated, by following the "trading as" (as above). If LLP is applicable the full correct business address, including postcode, must be stated, otherwise the full correct postal address(es) including postcode of the partner(s) should be stated.
- **Limited Companies** – The name must include "Ltd" or "Plc". Invoices can be addressed to either the current registered office or to a place of business of the company. Evidence of their Limited Company Status and registered office must be obtained by requiring confirmation of the service request on their official letterhead, including their company registration number.

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- **Charities limited by guarantee** - Charities which are charitable and limited by guarantee can be exempted from using the term “Ltd” so, for example “Oxfam” is the correct name. Evidence of their charitable status must be obtained by requiring confirmation of the service request on their official letterhead, including their charity registration number.
- **Clubs run by a committee** – The full name(s) and address(es) of the treasurer and /or the secretary, or the trustees must be stated.
- **Trustees** - The full name(s) and address(es) of the trustee(s) and the full name of the trust must be stated.
- **Executors or Personal Representatives** – Must be addressed e.g. Mr John Brown, Executor of Jacqueline Smith Deceased or Personal representatives of Jacqueline Smith Deceased. The Full postal address(es) of the executors/personal representatives must be stated.

6. Payment Methods

Sundry debts can be paid using the following methods:

- **Online** at our website www.swale.gov.uk/doitonline by debit/credit cards. Maestro, Delta, Solo, Visa Debit/Credit, MasterCard and Electron are acceptable. No charge is made to use any cards. The invoice number is quoted as the reference number
- **Telephone – by calling our Automated Telephone Service – 0330 088 1702** - available 7 days a week/ 24 hours a day by debit/credit cards. Maestro, Delta, Solo, Visa Debit/Credit, MasterCard and Electron are acceptable. No charge is made to use any cards. The invoice number is quoted as the reference number
- **Bacs/ internet banking direct to our bank account**
 - Name: Swale Borough Council
 - Account Number: 1683611
 - Sort Code: 30-00-02
 - Bank Name: Lloyds
 - The invoice number is quoted as the reference number.
- **Pay Point** by taking the invoice to any Pay Point outlet. Pay Point cards are available for Sundry Accounts. These cards can be supplied when the debtor has more than one invoice or is paying weekly or monthly against one invoice. They can be used at any Pay Point outlet or Post Office.
- **Standing Order**

Arrangements can be made to set up a standing order or internet banking payment by sending payments to

Bank	Lloyds
Sort Code	30-00-02
Account Number	01683611
Reference	Customer ID number shown on Invoice
- **Cheques**

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Cheques should be made payable to Swale Borough Council and posted to Financial Services Unit, Swale House, East Street, Sittingbourne, Kent, ME10 3HS quoting the invoice number on the back.

In all cases the invoice number will be required.

Currently it is not possible to pay sundry debtor invoices by Direct Debit.

7. Payment Terms

The standard payment terms for sundry debtor invoices is 30 days from the invoice date. The exceptions to this are:

- property rents, which are paid on 10 days from the date of the invoice (or in accordance with the property lease/ licence);
- invoices that have been raised for payments made in error to an individual or organisation will have to be repaid to the Council on immediate terms.

There are a number of debts for enforcement costs following “works in default” registered against properties that will incur interest of 2% above the current base rate.

Certain customers may be unable to pay the debt in full, in these instances their case will be assessed according to the type of debt and the ability to pay.

The Council will consider a payment plan to allow mutually agreeable payments to be made. All requests from customers to enter into payment arrangements must be referred to the FSOs regardless of the amount owed. The FSOs will set up and monitor all payment agreements.

8. Monitoring of Debts

The Debt recovery process will:

- be cost efficient and effective, ensuring that where people have the means, they fulfil their obligations by paying their debts;
- acknowledge the debtors' obligations to their dependants;
- identify problems as early as possible, with appropriate action taken in a timely manner;
- consider all avenues for recovery and use them appropriately to secure the Council's income;
- ensure that the outstanding debt is kept to a minimum and all the debts are reviewed in line with the recovery process detailed below, wherever possible;
- review all debts over 30 days overdue.

Once an invoice is overdue the FSOs will then follow the steps below:

1st Action – Invoice not paid by due date

A standard reminder letter will be produced and sent to the customer. This will remind the customer of the outstanding debt, and prompt them to make payment through any of the usual methods.

2nd Action – 14 calendar days after 1st action

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A second, stronger, standard reminder letter will be produced, informing the customer of potential consequences if payment is not received. The customer will be asked to make immediate payment.

3rd Action – 14 calendar days after 2nd action

A FSO will contact the customer by telephone to request payment is made, or to agree a payment plan if necessary. If the customer is agreeable, they can be transferred to the automated telephone payment service to make payment.

If a payment plan is requested, the FSO can agree instalment payments as appropriate. Once the agreement is made, customers are expected to comply with the arrangement. A letter will be sent to the customer detailing the agreed payment plan, and notes will be made against the invoice and customer within the system. Payment arrangements will be monitored on a monthly basis.

If no telephone number is held for the customer, the FSO will email the customer and ask them to make contact immediately.

Other Actions

Throughout the full debt recovery process, service departments can be involved to provide assistance. If a service department has an ongoing relationship with the customer, this should be utilised, so that the service department reminds the customer of the need to make payment.

If the Finance Support Team are unable to make contact with a customer, information will first be requested from the service department. If no further information is available from the service department, other resources will be used. This could include remittance advices received, checking for information in other systems such as Accounts Payable or other Council services, Companies House, or similar. Checking social media is an option of last resort, but must be carried out through an official Council profile, and only after liaising with the Council's RIPA Co-ordinating Officer.

If payment is not forthcoming after the actions laid out above, the FSO will consider further actions. Any actions that will incur costs will be discussed with the service department before progressing, and will only be used if proportionate to the debt. These actions could include:

- use of a tracing agent;
- recovery through the Small Claims Court;
- referral to Legal Services, who could take further action;
- referral to enforcement agent to recover outstanding amounts.

The Finance Support Team will continue to monitor all debt, regardless of age, to ensure that the current recovery process is appropriate, and to escalate for further action or write off where appropriate.

The actions taken by the FSO are adapted to the debt, so if a customer has responded, has been making payments, but then suddenly stops, the FSO then re-starts the process of engaging the debtor.

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9. Enforcement Action

It is inevitable that for a variety of reasons some money due to the Council will not be paid as requested. In all cases, the Council will follow the relevant statutory or civil process to enforce payment.

It is the responsibility of all senior managers to assist with appropriate recovery action in conjunction with the Head of Finance and Procurement, including legal action where necessary, for debts not paid promptly, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

The Council recognises that prompt recovery action is essential in managing its debt and maximising income. The Council aims to:

- regularly monitor the level and age of debt;
- regularly review irrecoverable debts for write off;
- monitor the age profile of debt.

The general principles of enforcement action are:

- invoices are produced and dispatched in accordance with legal requirements and comply with the published timetable;
- there are clear written guidelines for all staff involved in enforcement action. Also, clear information for debtors and advice agencies;
- advice and information are available for debtors at every stage of the recovery process, including early referral to debt and benefit advice agencies, especially for those who are vulnerable.

Officers dealing with the recovery of debt should ensure that detailed records of actions are recorded within the relevant accounts receivable system so that a clear audit trail is provided.

10. Supplying Services to Debtors in Arrears

The Financial Support Team will upload monthly reports per Head of Service showing the status of debts raised by that service department. They will also contact the service department:

- before taking court action against the debtor;
- employing enforcement agents to recover the debt;
- requesting that the debt be written off.

It is the responsibility of the service department to determine how to supply services to a debtor who is in arrears. However, prior to a Council service being withdrawn completely from a debtor, the service department must identify if the service can be legally stopped and then contact the customer to explain the action to be taken and the reasons behind it.

11. Write Offs

The Council recognises that where a debt is irrecoverable, prompt and regular write off of such debts is good practice.

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The Council will seek to minimise the cost of write offs by taking all necessary action to recover what is due. All debts will be subject to the full recovery, collection and legal procedures as outlined in this Debt Policy.

Before any debt can be written off, it needs to be demonstrated that all reasonable attempts have been made to collect the debt and that it is no longer economic to do so. Any debts presented for write-off must be supported by sufficient evidence of recovery action taken. A standard debt write off form must be completed. A copy of the form is included at Appendix I.

Reasons for Write Off

It is not possible to list every scenario which would make a debt suitable for write off, however the following reasons capture the main reasons why debts become irrecoverable:

- **Absconded / No Trace** -The debtor has left the address listed on the invoice and all reasonable attempts, including use of tracing agents, to find the debtor have failed.
- **Deceased** – The debtor has passed away and there is evidence of insufficient or no funds in the deceased persons estate to pay the amount outstanding.
- **Statute Barred** – Where the debt is “out of time”, for debts over six years old, and where no contact has been made and no payments received.
- **Small Debts and Debts Uneconomical to Pursue** - When all standard debt recovery processes have been tried or considered and where the cost of proceeding to recover would be cost prohibitive to the Council and its taxpayers.
- **Debts subject to a Relief Order** - Where debts owed to the Council are subject to and included in a Debt Relief Order and cannot be recovered.
- **Bankruptcy** – The debtor is declared bankrupt and sums due before the date of the bankruptcy cannot be recovered.
- **Companies in Liquidation / Wound Up / Dissolved / Struck Off** – The company is a Limited Company registered with Companies House and no longer exists and there is no means of recovering the debt.

Dependent on the type of debt, any proposed write off needs also to identify the budget implications, including whether there is a bad debt provision to cover the write off or not.

The Head of Service then signs the write offs and return them to the Finance Support Team.

Under the Financial Regulations, the Director of Resources has delegated authority to write off debts up to £5,000; debts above that value to £10,000 go to Strategic Management Team for approval to write off; and debts in excess of £10,000 are authorised for write off by the Policy and Resources Committee.

As VAT cannot be reclaimed for written off debts that are over 4.5 years old, it is important to consider the write off of debts within this time frame.

The debt will be written off the Accounts Receivable system, by the FSO. The Financial Regulations includes the following on the recovery of debt:

D5.8 Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off, unless the debt has a factual inaccuracy or administrative error in the calculation or other administrative error. In all cases the reason for cancellation shall be documented.

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D5.9 Once raised, no bona fide debt or part of the debt may be written off, unless the reason for write off is fully documented and approved by the Director of Resources.

(a) all debts arising from bankruptcies and liquidations, which are not covered by distributions from liquidators, receivers or administrators; and

(b) any other single amount due to the Council up to £5,000 or with Strategic Management Team approval £10,000. Any outstanding debt in excess of this amount can only be written off with the consent of the Policy and Resources Committee.

D5.10 It is the responsibility of all senior managers to assist with appropriate recovery action in conjunction with the Director of Resources, including legal action where necessary, for debts not paid promptly, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

12. Credit Notes

There is a clear distinction between raising a credit note and writing off a debt.

A credit note to cancel or reduce a charge must only be issued to:

- correct a factually incorrect or administrative error in the raising of the original invoice;
- adjust the amount of debt due;
- cancel an invoice where a dispute has led to agreement that the invoice should not have been raised;
- cancel an invoice where the service is unable to provide sufficient documentary evidence to support the recovery of an outstanding invoice.

All credit notes must be supported by evidence that validates the reason for reducing or cancelling the invoice.

To raise a credit note, the service that raised the invoice, must ensure that all information is fully completed, in the same way as invoices are raised, including:

- an agreed reduction in value and be issued within one month of the agreement;
- description of supply;
- rate and amount of VAT charged;
- total charge;
- the invoice number and date the original VAT invoice should be shown on the credit note.

13. Data Protection

All staff within the Council are aware of the guidelines of the General Data Protection Regulation (GDPR). However, we must be mindful when sharing information between departments to trace and recover the debts that we are working within the guidelines of the GDPR.

14. VAT

Appropriate accounting procedures will be put in place to ensure that the Council reclaims VAT from HMRC on a bad debt if:

- goods/ services have been supplied and VAT has been accounted for and paid to HMRC (as output tax), but no payment (or only a part payment) has been received, and

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- the amount has, or is about to be written off in the accounts, and
- six months have elapsed from the supply date and the time when payment was due, and
- the reclaim of VAT is made within three years and six months of the date the payment was due and payable of the date of the supply.

HMRC regulations state that VAT cannot be reclaimed on debts written off after 4.5 years.

15. Heads of Services' Responsibilities

This section sets out the responsibility of Heads of Service in relation to the raising and the collection of sundry debt: To ensure that the Council identifies debts which require recovery action and such action is taken promptly they must regularly review their monthly monitoring reports of outstanding debts. It is an important responsibility of the Heads of Service to ensure that the Council recovers its debts.

The Financial Regulations state that:

D5.10 It is the responsibility of all senior managers to assist with appropriate recovery action in conjunction with the Director of Resources, including legal action where necessary, for debts not paid promptly, by providing any further information requested on the debtor, and in pursuing the matter on the Council's behalf.

D5.11 Each senior manager shall as soon as possible after 31st March notify the Director of Resources of all uncollected income on accounts not rendered relating to the previous financial year (i.e. Goods and services delivered by 31st March but not yet paid for, known as "Reserved Debtors").

All Heads of Service should ensure that those officers responsible for authorising invoice requests:

- Keep adequate records to fully support the amount to be invoiced.
- Know of the maximum amount that they can approve and of the need to keep within their limit. These are held by the Finance Support Team in the Finance Department.
- Complete Invoice requests to the standard required by Financial Services including a clear description of the reason for the debt.
- Forward all sundry debtor requests to the Finance Support Team promptly.
- Do not raise invoices for debts less than £50. Where amounts of below £25 are required, more cost-effective procedures for payment should be considered i.e. obtain payment up front.
- Regularly review their levels of debt and work with Finance to take action to recover it.

16. Queries and Disputes

Where a customer disputes an invoice with the service, the service must notify the Finance Support Team immediately to prevent the recovery process continuing. Equally, where a customer contacts the Finance Support Team rather than the service to dispute the invoice, the matter will be referred to the service responsible for raising the invoice, and recovery will be held.

Full notes and reasons for the dispute must be added to the customer's invoice/account.

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To ensure the efficiency of debt collection and good customer service, all disputes must be resolved by the service responsible for raising the invoice within 28 days of the dispute being raised. The FSO must be notified of the outcome of the dispute.

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

- customer is correct and receives a full credit;
- customer is partly correct, gets a partial credit and accepts revisions;
- customer is not correct and accepts the charge;
- customer is not correct but does not accept the decision of the service and the service is prepared to support the commencement or continuation of recovery proceedings.

Where disputes are not resolved within 28 days of the dispute being raised, the Finance Support Team will contact the service department to request an update. If no update is provided this will be escalated to the Head of Finance and Procurement and any hold on the account may be removed, resulting in debt recovery action restarting.

17. Time Constraints on Collection

There are time constraints on the action that can be taken to collect debts.

Judgements should be enforced within six years whenever possible. Whilst it is possible to enforce beyond that period, it is only possible with permission of the Court. This action will add time and costs to the recovery procedure, so enforcement should take place within six years whenever possible.

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Appendix I – Debt Write Off Form

Request to Write Off Sundry Debt

Department	
Head of Service	
Customer Reference & Name	
Outstanding Debt (Total)	
VAT Amount	
Invoice Number(s) & Date(s)	
Is there bad debt provision?	
Reason for Write Off	
Actions Taken	
Signed By (HoS)	
Date	
Agreed by Directors & CX (over £5k) Date	
Agreed by P&R Committee (over £10k) Date	