

# **SUNDRY DEBTORS**

# **GUIDELINES** **&** **POLICIES**

Last updated Aug 2018

## INTRODUCTION

This document is available on the Intranet and OLAS Main Menu. It aims to provide users with a broad understanding of the service provided by the Income Section, and the procedures and policies that should be used to maintain an effective invoicing and collection system. Should you have any queries regarding the following areas, please contact the relevant officer listed below, or ring our Hunt Group **Ext. 3272**:

Policies and general issues	<b>Craig Verrier</b>	01443 863469
Recovery issues, legal proceedings and general policies	<b>Andrew Hale</b>	01443 863211
Recovery and legal cases admin. support	<b>Zoe Andrews</b>	01443 863168
One- Off Invoices	<b>Sian Selkirk</b>	01443 863319
Car Park fines, One off invoices and general queries	<b>Gareth Pizey</b>	01443 864034
Community Alarms S/services and Trade Refuse	<b>Gareth Parry</b>	01443 863391
Industrial Rents, Credit adjustments and Sundry Debtors training	<b>Corinne Williams</b>	01443 864035
Write offs and Commercial rents	<b>Karen Beacham</b>	01443 864073

## SYSTEM SET – UP

For reporting purposes the Sundry Debtor System is a 3 tier system. The Sundry Debtors module is Company **SD**. Each Second Tier Officer is classed as a **Structure Point**, beneath which are the individual sections known as **Locations**. We currently raise invoices on behalf of 130 different sections throughout the authority. A full index of the authority's Locations may be obtained from Craig Verrier (Snr. Income Officer).

# **RAISING ONE-OFF INVOICES**

## **SUNDRY DEBTOR REQUISITION FORMS**

In order to raise a one-off invoice, service departments **MUST** complete a Sundry Debtor Requisition eForm. These can be found on the Intranet / Quick Links / OLAS Forms / Sundry Debtors Eform. This link is also on the Main Menu of OLAS. Wherever possible, users should identify and quote the Account Reference if the debtor already exists on the Sundry Debtor system.

Each Requisition Form generates a unique SDREQ reference which confirms the requisition has been submitted successfully.

## **ADMINISTRATION**

Once completed by the service department, the unique SDREQ reference confirms the requisition has been submitted successfully. Once processed, the Sundry Debtor clerk completes the Account No. and Invoice No., which are generated by the system. An email is then sent back to the requesting officer confirming the invoice has been raised and the invoice reference number that will be quoted on the invoice. The email should be filed in a manner that makes the invoice and account number readily available should you have any queries from the debtor.

## **INFORMATION TO BE PROVIDED**

It should be noted that the onus is on the service department to provide the following details:-

- Debtor name and full address
- Postcode
- Debtors telephone number and contact name
- Net amount to be charged
- General Ledger code (cost centre AND subjective)
- VAT code
- Full description of the debt, as it is to appear on the invoice
- Officer's name and extension in the event of a query on the form
- Accompanying correspondence e.g. spreadsheets or letters may be electronically attached to the eForm. These will be printed and issued with the invoice.

The eForm has been designed to ensure essential fields are mandatory. However, **it is recommended that all invoice requisitions are checked / verified by a second employee.**

**Any VAT queries should be directed to Accountancy on 01443 864081.**

We aim to raise invoices within 5 working days. This however is subject to staff resources.

## **PERIODIC INVOICES**

For regular invoicing such as monthly rents, accommodation charges etc., in addition to the information required to raise one-off invoices, the service department must also provide the frequency that invoices are to be raised. i.e. 4 weekly, monthly, quarterly, 6 monthly or annually and also the start date from which charges will be made. To ensure all relevant information is included by the instructing department, template documents are used by each service area.

**Once the account has been set up, Sundry Debtors will issue invoices on the agreed frequency until further notice from the service department.**

## **INVOICING POLICIES**

- **Wherever possible, income should be collected in advance or at the point of service.**
- **If this is not possible, the service department should arrange to issue an invoice as soon as possible after the service has been provided.**
- **One-off Invoices will only be raised upon receipt of an official Invoice Requisition eForm**
- **The due date of each invoice will be 7 days after the date of input onto the Debtor System.**

This allows time to print the invoice overnight, check the invoice and attach any relevant correspondence, and send the invoice 2<sup>nd</sup> Class post. See the standard recovery cycle later in this document for details of the recovery process.
- **Minimum value for which invoices should be raised is £25.00**

It is uneconomical to raise an invoice for debts under £25.00. Recovery of fees/charges less than this value should be made at the point of service or via written correspondence, with all payments being made to the relevant Miscellaneous Income code. Payments may be taken by cash, cheque or by Debit / Credit card over the phone on 01443 863366.
- **Good debt descriptions**

**It is vitally important that a relevant, meaningful and reasonably detailed debt description is used for all invoices. This is especially important should the case require further recovery work by an external collection agency or the County Courts.**
- **Quality control**

It is recommended that all invoice requisitions are thoroughly checked for accuracy prior to submission, preferably having been verified by a 2<sup>nd</sup> employee.
- **Documentary evidence**

It is important that all documentary evidence relating to a charge is kept, signed and dated should the case be referred to County Court for recovery.

## **CREDIT ADJUSTMENTS / CANCELLATIONS**

If an invoice that has already been raised needs to be reduced or cancelled, then a Sundry Debtor Invoice Amendment form must be completed and sent to the Debtors Section by an **AUTHORISED SIGNATORY**.

### **AUTHORISED SIGNATORIES**

A list of all staff who are authorised to cancel / reduce invoices together with specimen signatures is held in the Sundry Debtor Section. However, due to the number of sections involved, it should be noted that the onus is on each Service Dept. to inform the Sundry Debtor Section of any changes. Additions to the list of authorised signatories should be confirmed in writing by a divisional manager, along with a specimen signature from the officer to be included.

### **ADMINISTRATION**

A stock of controlled stationery '**Sundry Debtor Invoice Amendment**' memos is held within the Sundry Debtor Section. These are printed in triplicate - the top two copies to be sent to Sundry Debtors, the back copy to be retained by the Service Dept. for reference. All sheets are pre-numbered and must be signed for by a member of staff from the relevant Service Dept. Once processed, we will return a copy to you for your reference.

### **INFORMATION TO BE PROVIDED**

- Whether the invoice is to be cancelled in full, partly reduced or written-off
- The **invoice** number (not the SD requisition sheet number)
- Name of the debtor
- The **GROSS** original amount of the invoice
- The **GROSS** amount of the reduction
- The revised amount due
- Cost Centre and Subjective G/Ledger code
- VAT code
- Reason for adjustment – this wording will appear on the Credit Note
- Signature of the authorised officer

We cannot **INCREASE** the value of an invoice once it has been raised. If this adjustment is required, then the original invoice has to be cancelled and a new one raised in its' place.

Similarly, any VAT error may only be corrected by cancelling the original invoice and raising a replacement invoice.

We aim to process all Invoice Amendment instructions within 5 working days. This however is subject to staff resources.

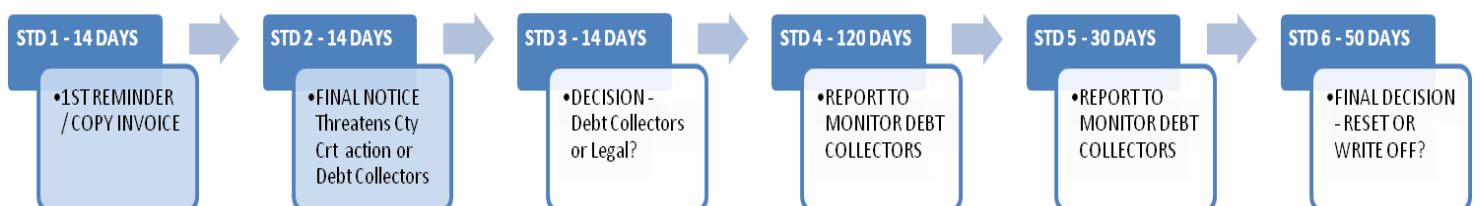
# CREDIT ADJUSTMENTS – POLICIES

- As soon as it becomes apparent that an account requires cancellation/adjustment, the Service Department must forward the relevant instruction to Sundry Debtors IMMEDIATELY.
- Adjustments will only be processed upon receipt of an official Sundry Debtor Invoice Amendment form, which has been duly signed by an authorised signatory.
- If the customer has already paid, Sundry Debtors will issue a Refund Request letter. Once completed and returned to the sundry debtors' office, we will aim to process and issue a cheque or BACS refund within 10 working days.
- If a customer queries or disputes an invoice, and the matter is not resolved by the service department within a period of 21 days, then the Senior Income Officer has delegated authority to cancel the invoice. This is merely an accounting transaction which debits the General Ledger code – the debtor is not made aware that we have cancelled the invoice. The invoice may be re-raised once the query is resolved.
- Similarly, if recovery action needs to be put on hold for a period in excess of 21 days, the Senior Income Officer has authority to cancel the invoice.
- The Snr Income Officer will periodically distribute lists of all cancelled/adjusted invoices. Each Service Department is responsible to ensure replacement invoices are raised where appropriate.

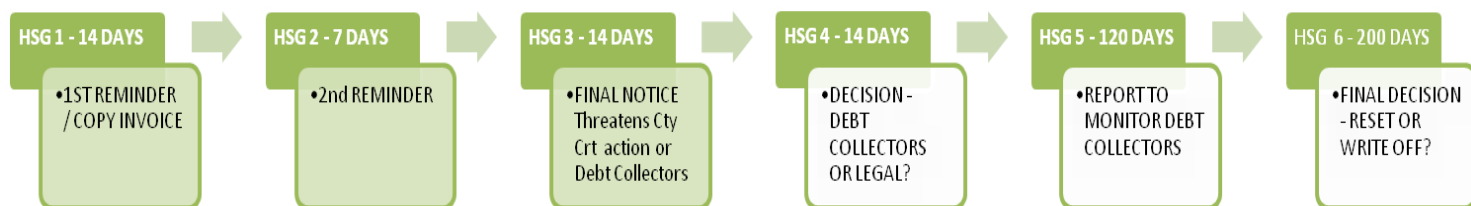
## RECOVERY PROCESS FOR UNPAID ACCOUNTS

All invoices raised on the Sundry Debtor system follow a pre-set, automated recovery cycle, dependent on the nature of the debt and the customers we deal with. For example, due to the very nature of the customers, all Social Services debts follow a more sensitive approach on debt recovery. The different recovery cycles are set out below:

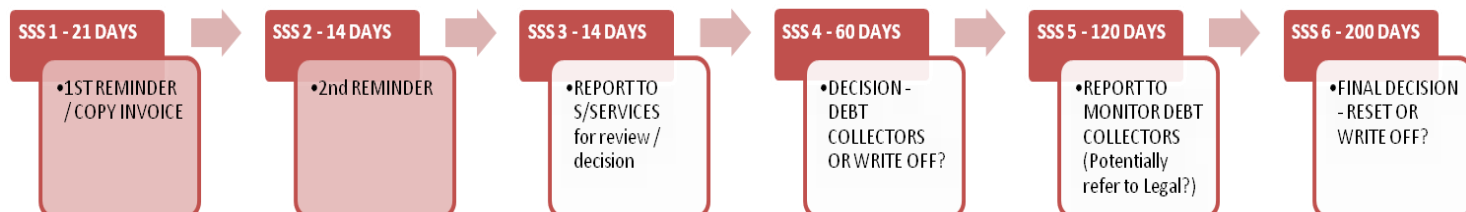
### Standard recovery - STD



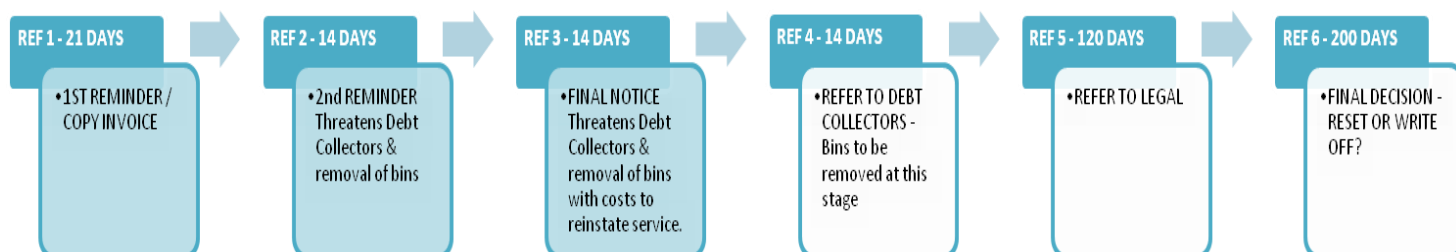
## Housing Repairs - HSG



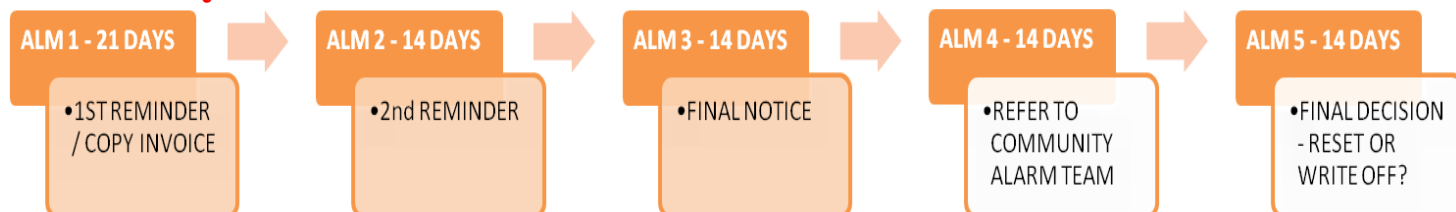
## Social Services – SSS



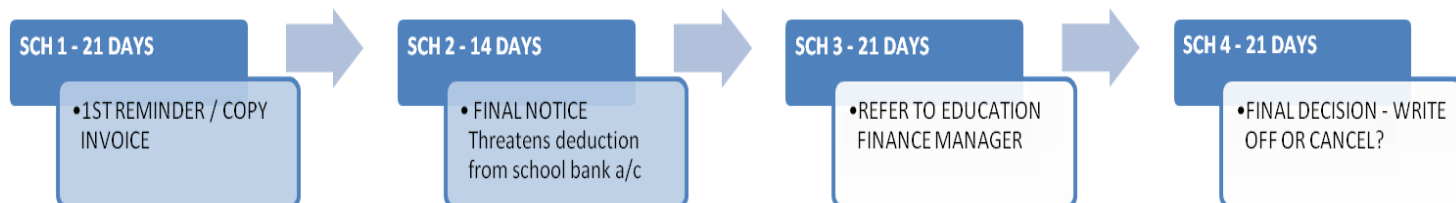
## Trade Refuse – REF



## Community Alarms - ALM



## Schools - SCH



### **IMPORTANT**

Whilst the Sundry Debtors section is responsible for the recovery of debt, each service department should assist wherever possible in the recovery process. For example, dealing with queries and disputes promptly, checking for outstanding debts prior to issuing new tenancies or leases, or providing grant monies, additional services or goods etc. It is appreciated that many of the services we provide in local government are statutory and we may have no choice but to continue the provision of certain services, but communication between service providers and the Debtors Section is essential in minimising bad debt.

## **1<sup>st</sup> REMINDER LETTER**

In all recovery cycles, the 1<sup>st</sup> Reminder letter is simply a copy invoice marked 'Payment Overdue'.

## **2nd REMINDER**

For some types of debt, a 2<sup>nd</sup> letter is issued, For example, Social Services invoices are very often dealt with by family members, so a 2<sup>nd</sup> letter is helpful in minimising the need to take further, more serious recovery action.

## **FINAL NOTICE**

The Final Notice letter is where things start to get more serious. It is this stage that generally provokes a response from debtors as it threatens County Court action, Credit blacklisting and further costs. From Final Notice stage onwards, the Diary notepad on each account is checked to ensure there are no queries, disputes or problems with the account.

In addition to issuing the standard reminder letters, Debtors staff pro-actively telephone chase debts over £5000, but this value is constantly reviewed and depends on the availability of resources.

## **COUNTY COURT OR DEBT COLLECTORS?**

If an account remains unpaid 14 days after a Final Notice has been issued, a decision is made as to whether the case should be referred to the Income Recovery Officer for County Court action, or to a private debt collection agency. Generally, due to the cost of instigating County Court proceedings, debts under £500 are referred to a debt collection agency. We currently use two agencies (Rossendales Collect Ltd and Blackwood Finance), both engaged on a 'no collection – no fee' basis. Blackwood Finance specialise in more 'local' debts and will make door step instalment collections, whereas Rossendales are a national company that will collect larger corporate debts as well as collecting from debtors living further afield. All companies are allowed 4 months to make contact, recover full payment or arrange instalment payments with the customer.

Alternatively, if the debt is in excess of £500, the account may be referred to the Income Recovery Officer to instigate County Court proceedings. Initially we will issue a 'Letter Before Action' to the debtor advising them of the consequences should the case reach County Court. At the same time, a 'Legal Action Confirmation Statement' (LACS) is issued to the relevant service department, requesting confirmation that:

- i) The service department is willing to pursue the case through County Court
- ii) There is sufficient documentary evidence to prove the case and this may be provided should the case be heard in Court.
- ii) The Court Issue Fees will be met by the service department.

The LACS form must be completed and returned to Legal Services within 14 days in order for the case to proceed. **If this deadline is not met, the case may be dropped and the account cancelled.**

Unfortunately, due to serious inefficiencies and a lack of resources within the County Court Service, the actual enforcement of a County Court Judgment is



becoming more and more difficult. In the past, CCJs have always been passed to the County Court Bailiff for enforcement. However, this process is slow, costly and their effectiveness leaves a lot to be desired. Wherever possible therefore, we will apply for an Attachment of Earnings Order (AoE), whereby the Court orders a debtor's employers to make direct deductions from his/her earnings until the debt is cleared. This is the preferred course of action as firstly, many debtors will not want their employers to become aware of their business. Secondly, payments are administered and collected by the County Court Service. Applying for an Attachment of Earnings Order will only be successful if the debtor is working. It is therefore important that **ALL KNOWN INFORMATION ON THE DEBTOR IS PASSED TO THE INCOME SECTION** (E.g. is the debtor working? If yes, where?). This information should be provided on the LACS Form. We will then be in a better position to make an **informed decision** as to which enforcement action may be more successful.

## **QUERIED OR DISPUTED ACCOUNTS**

If an invoice is queried or disputed by a customer, for example a breakdown of the charge is requested, Sundry Debtor staff will reply to the customer providing them with the name and telephone number of the officer responsible for resolving the dispute, and pass a copy of the customer's correspondence to the service department.

Upon the request from the service department, recovery action may be put on hold **for a limited period** whilst investigations are taking place. However, **we will not hold recovery action indefinitely.**

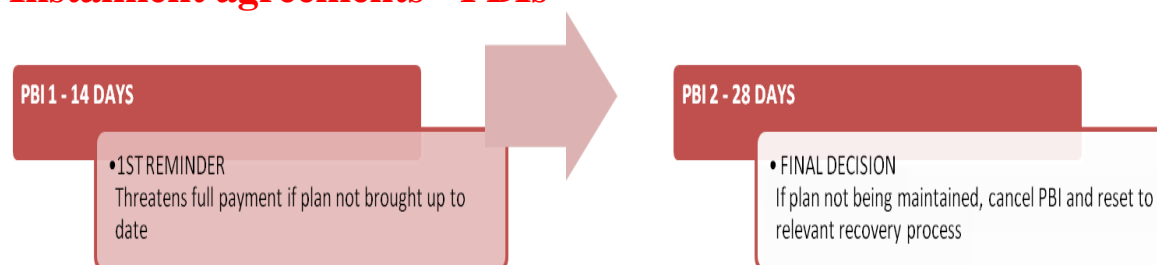
If the query/dispute is not resolved, and it is felt that there is a genuine reason for non-payment due to the lack of information from the service department, after a period of 21 days the Senior Income Officer has authority to cancel the account.

This is merely an accounting transaction which debits the General Ledger code – the debtor is not made aware that we have cancelled the invoice. Of course the account may be re-raised once the dispute has been resolved.

## **PAYMENT BY INSTALMENTS (PBIs)**

On some debts, Income staff have discretion to accept instalment arrangements with customers but **this depends on the customer's circumstances. Agreeing instalment arrangements is a Sundry Debtors matter, any customer that requests to pay an account by instalments MUST be referred to a member of staff in the Debtors section.** If an Instalment Plan is agreed, the debt is monitored. If the customer defaults and an instalment becomes overdue, further recovery action is taken.

### **Instalment agreements - PBIs**



## **WRITE-OFFS**

The authority's Standing Orders require the Head of Corporate Finance to **'take all appropriate action prior to irrecoverable amounts being written-off'**.

In general, if a debt is not collected after Sundry Debtor recovery work, action in the County Court and action from the council's debt collection agency, then each case is considered individually on merit as to whether it is practicable and economic to continue pursuing, or whether the debt should be proposed for write-off.

If the debtor has absconded, in all cases, Council Tax, Rents and Business Rates records are checked for new forwarding addresses. In addition, we have access to Experian 'Citizen View' software which enables comprehensive in-house searches on any person in the country. If these resources fail to trace a debtor, the case may be referred out to an external tracing agency. This agency will attempt to trace and collect the debt on our behalf.

Unfortunately, due to previously stated reasons such as the ineffectiveness of the County Court enforcement remedies, bankruptcies, liquidations, absconders and the genuine inability to pay, eventually some debts have to be written-off as irrecoverable. These decisions are not taken lightly, and each decision to write-off is based on merit having considered all circumstances.

**During 2012/13, only 1.1% of debt raised was written-off.**

Prior to write-off, the Senior Income Officer will issue to all service departments a schedule of proposed write-offs. This will provide each section with an opportunity to note bad debts for future reference, and of course provide comments if it is felt that particular accounts should not be written-off. Even if a debt is written off, the record remains on the customers' accounts for a minimum of 6 years.

### **AUTHORITY TO WRITE-OFF**

All proposals for write-offs must firstly be approved by the Senior Income Officer after liaising with the service departments. Once approved for proposal, the following authorities to write off debts were delegated by Cabinet in Sept. 2009

- the Acting Head of Corporate Finance be authorised to write-off debts to a value of £1000
- the Section 151 Officer, also the Acting Head of Corporate Finance be authorised to write-off debts in excess of £1000
- debts that are material, where an individual debt is greater than £20,000 be written off with agreement of Cabinet
- the Policy & Resources Scrutiny Committee to receive six monthly summary reports on all debts written off

## **WRITE-BACKS**

Very occasionally, debts that have been written-off are recovered at a later date. For example, the Official Receiver pays a dividend from a receivership or bankruptcy. In these cases, the account will be 'written-back'. i.e. the original write-off transaction will be reversed.

In cases where debt was written off because the debtor absconded but a new address is found at a later date, then consideration must be given to the account history as to whether it is economically prudent to write the debt back. For example, if the account had already undergone the full recovery work, County Court enforcement and Debt Collection Agency work prior to the debtor absconding, then would it be prudent to re-raise the debt and spend even more money on repeating previous actions?

## **VAT & ACCOUNTING RECORDS**

All transactions on the Sundry Debtor System are transferred onto the General Ledger (OLAS) overnight. Once an invoice has been raised and the transaction has been uploaded to General Ledger, the Cost Centre and Subjective cannot be amended. This will have to be done via Accountancy.

**Any VAT queries should be directed to Accountancy on 01443 864081.**