



Appendix 1

Income and Debt Management Policy

Version 1.1 April 2017



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1. Principles of income and debt management

- 1.1 We will seek to avoid debt by offering a range of processes and methods which ensure payment is made in advance, or at the point of delivery, in every case where this is possible.
- 1.2 All income must be recorded accurately and in a timely manner, in DES; whether this is by direct input, or via a feeder system where this has been agreed as the prime source of income processing.
- 1.3 Where Directorates enter into arrangements outside of principle 1 and debt ensues, collection of that debt is the responsibility of the relevant Director until it is paid.
- 1.4 Each Directorate must put in place procedures to ensure compliance with the complete, end-to-end income management process. This includes appropriate record keeping and co-operation with other teams involved in the process.
- 1.5 Debt must be managed proactively by Directorates, aided effectively by a range of reporting and other support facilities and the Accounts Receivable Team.
- 1.6 Where a customer does not comply with the Authority's terms, the customer will be placed on "stop" and no further credit will be extended.
- 1.7 We will manage our customers with dignity and respect but we will resolutely pursue monies which are due to the Authority.

2. Introduction and executive summary

- 2.1 This document sets out Dorset County Council's (the Authority) policy for the collecting of income and managing debts relating to outstanding invoices. There is also a separate, accompanying document that sets out good practice, which is a more detailed document intended for use by those officers involved in the collection of income on a day-to-day basis.
- 2.2 The purpose of this document is to state the Authority's policy of avoiding debt completely where at all possible but where debt is incurred, to ensure the minimisation of process and cost in collecting money that is due.
- 2.3 Under the Dorset County Council Scheme of Financial Management, Directors and their nominated Budget Holders have responsibility to recover all income that is rightly due to the Authority. The implementation of policies outlined in this document should therefore be incorporated into everyday working practice.
- 2.4 If you are unsure about any aspect of this document, please contact the Accounts Receivable (AR) team (email address: ARHelpdesk@dorsetcc.gov.uk). AR Team members and Legal Services staff are available to discuss any requirements that you may have or any practical training you might require. This can be available on a team basis and can be tailored to suit your team needs.
- 2.5 Some areas of operation follow different procedures which are not set out in this document as they are exceptions to the general policy – see Appendix 1
- 2.6 This policy covers income due from bodies that are external to the Authority. If Budget Holders need to charge another part of the Authority for services provided they should contact their Service Accountant to understand how this is done (usually by general ledger journal). That process is not covered by this document as it is neither true income nor debt.



3. Policy objectives

- 3.1 The core objectives of the policy are to maximise income due to the Authority and to minimise bad debt and the cost of collection by:
- a) Ensuring DCC employees act in accordance with legislation, financial regulations and the contents of this policy.
 - b) Ensuring the roles and responsibilities of staff involved in the process are clear and effectively discharged.
 - c) Making sure we know our customers and that they have the ability to pay for goods/services before they are provided.
 - d) Offering a range of *payment in advance* or *payment at the point of ordering* options to avoid debt whenever possible.
 - e) Being *digital by default* in our communications and correspondence with customers and when collecting their payment.
 - f) Issuing invoices accurately and on time from the DES AR system.
 - g) Delivering a sensitive, responsive and effective collection service.
 - h) Resolving queries and disputes promptly to receive income at the earliest opportunity.
 - i) Contacting customers as soon as they fall into arrears.
 - j) Treating all customers fairly, through a consistent approach to chasing the debt.
 - k) Using effective follow-up procedures and legal action where appropriate.
 - l) Avoiding unnecessary write-off of income.

4. Debt recovery

- 4.1 It is essential that all income due to the Authority is recorded in the DES AR system. This is critical because it allows accurate recording of how much debt the Authority has at any point in time, in which part of the organisation the debt has accrued and its age. It also allows for effective follow up-procedures and efficient credit control.
- 4.2 Where appropriate, payment should always be requested in advance of service/goods being provided as this minimises risk to the Authority and avoids any collection costs.
- 4.3 Within DES, income is credited to the appropriate code as soon as an invoice is raised, even though payment may not yet have been made. Budget Holders are responsible for the debt arising from unpaid invoices. Budget Holders should regularly review their debt position. This can be done in DES via the Aged Debt Report or contact the AR helpdesk via email, for further assistance and should be regularly followed-up with debtors. Service Accounting Teams will also report to Service Management Teams of the current levels of debt as part of the monthly financial reporting pack.
- 4.4 Debts should only stay in the system for 6 months at which point a decision to write off should be made, subject to any ongoing activity to recover the funds/not applicable to the service (i.e. Adults).



Sustaining processes for unpaid debt longer than this period is impractical and uneconomical. If a debt is not paid within 3 months, legal action should be taken to secure it – see appendix 1.

A bad debt provision will be raised quarterly for all debts over 6 months old in lieu of the legal/write off procedure. This provision will be for 100% of the debt.

Service budgets bear the cost of any debt that is written off.

- 4.5 For new income streams being developed, Budget Holders should ensure they work with their Service Accountant to ensure that charges are sufficient to cover all costs (including overheads where appropriate) and earning a profit where this is the stated (and permitted) objective.
- 4.6 The Authority's bank account details are set out in Appendix 2 to this document. They can be provided to customers to enable direct payment to be made electronically.

5. The policy objectives in more detail

- 5.1 Ensuring DCC staff act according to legislation, regulations and this policy

It is essential that all income and debt collection arrangements follow current legislation/VAT requirements and follow financial regulations and this policy. The Authority's policy and procedures are there to ensure minimum time and cost is spent recovering from failure and to minimise risk of non-payment. Officers who do not comply with this policy cannot expect to have alternative action supported by the Chief Financial Officer.

- 5.2 Ensuring the roles and responsibilities of staff involved in the process are clear

Services remain responsible for all debts they incur until they are paid in full. The service needs to retain full history of contact with a customer that should include names, dates, and nature of discussions, and any correspondence/contractual detail that supports the debt being raised. DES is our master system for all documentation and correspondence relating to income and debt management so all ancillary and supporting documentation should be available through that system.

Appendix 3 sets out respective roles and responsibilities of Officers involved at various stages of the income collection and debt management process.

- 5.3 Making sure that we know our customers and they have the ability to pay for goods/services that are provided

Services must determine that the person ordering goods/services has the authority to do so on behalf of their organisation (usually by requesting a purchase order number) and that they are able to pay for what they are ordering. The best way to do this is by asking for payment in advance/at the time of ordering.

If a customer is frequently being chased for non-payment of invoices, the service should arrange for the customer to be placed on "stop" and no further credit to be provided. Payment in instalments can only be agreed by the Credit Controller*, who carries the Chief Financial Officer's delegated authority to agree instalment plans.



**Adult Services and HR manage their own recovery by instalment so do not require the Credit Controller's involvement*

5.4 Payment in Advance

Payment in advance or at the point of ordering is the most critical policy objective. If we can eliminate debt reporting, collection management processes and legal action we are removing failure costs and eliminating risk from the process. A range of methods are available to make payment before or when ordering, such as direct debit, payment direct to DCC's bank account electronically, or by card over the telephone. Please see Appendix 4 for a range of payment methods accepted by the Authority.

5.5 Digital by default

Eliminating paper-based correspondence and communication is key to avoiding further manual process and cost from the collection process. Invoices and all other collection documentation should be emailed whenever possible and in the case of new customers, should be collected as part of their initial customer record set-up. We acknowledge that certain customer groups are harder to reach and it might not always be possible to be digital but this should be the exception rather than the rule.

Our digital by default strategy also applies to payment methods so electronic payment is more efficient than cheque or local cash collection. Direct Debit collection should be our preferred electronic payment method and it is the business responsibility to verify the customer. Please see Appendix 5 for examples of verifications that should be completed when submitting a Direct Debit Mandate.

5.6 Issuing invoice accurately and on time

When customers deal with us digitally their invoices and other documentation will automatically be sent on a daily basis. Paper-based invoices go through a separate process so it is essential to ensure the minimum possible delay between the ordering of a service from the County Council and the issue of the invoice to the customer.

A significant amount of officer time is lost, pursuing debt where the wrong amount is charged, incorrect address applied, or essential detail that was required at invoice input stage is missing. These failings delay payment and cause unnecessary cost and process.

Errors in charging VAT at an incorrect rate are a common problem and can be avoided by contacting Steph Leitch (VAT Officer) or by reading the [guidance](#) on Sharepoint

The AR Team generally act as a gateway for invoices being entered into SAP but they do not have control over all invoices as the role is distributed and care must be taken by all staff to ensure invoices are accurate and timely.

5.7 Delivering a sensitive and responsive service

It is essential that when dealing with customers we are sensitive to their particular needs and circumstances and that we are responsive to their queries. Customers can legitimately expect that if an invoice has been raised in error, the Authority will correct the problem within 5 working days. Similarly, if an invoice is legitimate and correct the customer should understand that the Authority will expect payment and will pursue the debt to the fullest extent permitted by law.



5.8 Resolving queries/disputes promptly to ensure earliest receipt

Customers can rightly expect a dispute/query to be resolved within 5 working days. Quick resolution will ensure the earliest possible receipt and minimise any further debt management processes.

5.9 Contacting customers as soon as they fall into arrears and managing efficient reminders

Budget Holders must monitor the age of their debts on a monthly basis. The AR Team will assist with Budget Holder training and reporting and also manages the central Dunning process. The central processes ensure that customers are contacted immediately a debt becomes overdue and that the reminder process set out in Appendix 6 is followed.

Where a debt remains unpaid, the Budget Holder or delegated service must continue to follow-up with the customer until payment is received and notes are to be recorded in DES AR only. DES AR should act as the data source should any staff wish to check the background to the customer and if legal action is required, provides a detailed history of action taken. Local spreadsheets should not be maintained.

5.10 All customers should be treated fairly, through a consistent approach to chasing the debt

It is essential that customers are managed to consistent payment terms, unless different advice is given by the Credit Controller. This ensures consistent processes can be applied to debt management and ensure we spend the minimum amount of time and process managing unnecessary exceptions.

The Authority's general payment terms are immediate on receipt of the invoice, unless the customer pays in advance/with order, follows a direct debit process or specific payment terms relating to a service (i.e. Adults).

There are few exceptions, for example Adult and Community Services are given 14 days due to mobility/other reasons and where a payment schedule has been approved by the budget holder. The budget holder should engage AR to ensure that the proposed repayment plan reflects a suitable timeframe before agreement with the customer is confirmed.

It is difficult to manage payments where a non-payer is aware of another customer receiving more favourable terms. We therefore need to be consistent in all our dealings with customers.

5.11 Using effective follow-up procedures and legal action

Services should ensure that appropriate debt chasing is carried out to avoid the debt being referred for legal action. Small value debts (under £100) should be avoided and paid in advance as they are rarely effectively recovered and are expensive to pursue in terms of cost per £ of debt recovered. It is essential that Services progress debt before it reaches the stage where Legal Team intervention is required. Please see Appendix 7 for details of the Dunning and legal proceedings timetables.

5.12 Avoiding unnecessary write off of income



There should be very few instances that necessitate debt being written-off. It is essential that services have effective procedures to avoid write-off of income. Write-offs can only be approved by the Chief Financial Officer or the nominated representative.

Services must never inform customers that a debt is not being pursued without the write-off procedure being followed. It is essential that customers understand the charge that is due to this Authority, prior to service delivery. Write-offs are reported to the Audit and Scrutiny Committee on an annual basis and there is an expectation that money that is due should be fully recovered.

Following the policies and procedures in this document and in the good practice guide, should ensure that debt is incurred only when appropriate and is managed effectively and efficiently.



6. Appendices

6.1 Customer Classification



Customer
classification.docx

6.2 Authority bank account details for electronic customer payments



Banking
Details.docx

6.3 Roles and responsibilities in the income management process



Roles and
Responsibilities.doc

6.4 Payment methods accepted by the Authority



Payment
Methods.docx

6.5 Direct Debit Verifications



Direct Debit
Verification.docx

6.6 Authority Dunning and Reminder process



Dunning
Process.docx

6.7 Schedule of goods and services levied by the Authority



Goods and
Services.docx