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Income Collection Internal Terms of Service and Guidance

Contents

[**1.** **Introduction** 3](#_Toc136533738)

[**2.** **The Principles of Best Practice** 4](#_Toc136533739)

[**3.** **Charging Policies** 5](#_Toc136533740)

[**4.** **Income Controls** 6](#_Toc136533741)

[**5.** **Payments in Advance** 7](#_Toc136533742)

[**6.** **Payment Options** 7](#_Toc136533743)

[**7.** **Income Collection Systems** 7](#_Toc136533744)

[**8.** **Payment Terms and Conditions** 8](#_Toc136533745)

[**9.** **Balancing Customer Care with Debt Collection** 8](#_Toc136533746)

[**10.** **Paying by Instalments** 8](#_Toc136533747)

[**11.** **Mandatory Requirements for Billing** 9](#_Toc136533748)

[**12.** **Prompt and Accurate Billing** 9](#_Toc136533749)

[**13.** **Standard Recovery Process** 10](#_Toc136533750)

[**14.** **Invoices in Dispute** 10](#_Toc136533751)

[**15.** **Credit Notes** 11](#_Toc136533752)

[**16.** **Responsibilities of Service Departments and Budget Holders** 11](#_Toc136533753)

[**17.** **The 90 Day Rule** 12](#_Toc136533754)

[**18.** **Responsibilities of the Debt Team** 12](#_Toc136533755)

[**19.** **Litigation and Legal Action** 13](#_Toc136533756)

[**20.** **Legal Costs and Interest Charges** 13](#_Toc136533757)

[**21.** **Debtor Tracing** 13](#_Toc136533758)

[**22.** **Social Care Debt** 13](#_Toc136533759)

[**23.** **Customer/Supplier Payment Offset Arrangements** 15](#_Toc136533760)

[**24.** **Performance Monitoring and Reporting** 15](#_Toc136533761)

[**25.** **Insolvency** 16](#_Toc136533762)

[**26.** **Debt Write Off** 16](#_Toc136533763)

[**27.** **VAT Bad Debt Relief Claim** 16](#_Toc136533764)

[**28.** **Bad Debt Provision** 16](#_Toc136533765)

**Definitions**

The Council in the context of this document means Worcestershire County Council AND Worcestershire Children First

## **Introduction**

* 1. This document is intended to be read in conjunction with the Income Collection External Terms of Service document and establishes the role of the Debt Team and Service Directorates in Income raising and Debt chasing.
  2. The Council’s Income Strategy and has the following objective:

“**Ensure the Council’s future viability by maximising the level of income it can collect, ensuring that collection is efficient whilst protecting the most vulnerable in our communities**.”

* 1. The Income Strategy recognises the need for income collection code of practice and guidance, this document therefore, has the following objective within the overall objective:

**“In order to maximise income for the provision of goods and services, the Council will collect all debt owing to it promptly, efficiently, economically and fairly.”**

* 1. The effective management and collection of debt is an essential contributor to Worcestershire County Council’s financial resources and an integral part of the wider resourcing of service provision. It is essential therefore, that all monies due to the Authority are collected promptly and debt is kept to a minimum.
  2. The Council has a duty to recover all outstanding debts and in doing so, ensure its processes are effective and fair. Consequently, this guidance is designed to minimise debt, maximise rates of collection and ensure that customers who experience financial difficulty are assisted.
  3. This guidance applies to all sums owing to the Council and has been developed to ensure a consistent approach to the management of debts across the Council.
  4. The purpose of this document is to provide clear and concise guidance to all staff on the recording, recovery, and reporting of income. All Services must follow this code of practice to maximise the level of income collected by the Council.
  5. The key aims are as follows:
* To ensure that debts are managed in accordance with legislative provisions and best practice.
* To foster good fiscal management and control across the Council
* To reduce the level of debt arising
* To ensure performance in relation to debt recovery is reported through the relevant management structures of the Council.

## **The Principles of Best Practice**

* 1. The Council will follow the principles of best practice set out below:
  2. Ensure charging policies are regularly reviewed and latest versions are widely available.
  3. Ensure charges are transparent and communicated to customers and service users with reasonable notice.
  4. Maximise the level of income generated from the service within the appropriate legal framework which governs those charges.
  5. Consider the nature of demand for the service and any market intelligence available.
  6. As a minimum, increase fees and charges in line with inflation each year unless there is a clear rationale for not doing so.
  7. Operate and develop systems for collecting income which ensure accuracy, probity, efficiency, flexibility, and convenience.
  8. Wherever possible, payment must be secured in advance or at the time of provision of goods or services and without recourse to raising an invoice.
  9. A complete and accurate record of charge/contract must be retained and maintained by the relevant Service Department.
  10. The cost of the service must be fully identified.
  11. Adopt a corporate wide, transparent, and consistent selection and governance process around the procuring of income management systems.
  12. Where an invoice is issued it must be accurate, issued promptly and agreed in advance with the customer. This should include ensuring compliance with the customers Purchase Order policy (quoting the appropriate Purchase Order Number) to ensure prompt payment.
  13. Provide a customer centric, holistic payments collection service with multiple efficient and convenient payment channels available to customers. Promote Direct Debit as the default method of collection for recurring charges.
  14. Ensure income received via all payment channels, can be easily identified on receipt, and posted to service budgets promptly.
  15. Ensure income collection management information is accurate, up to date and readily available.
  16. Issue invoices and reminders electronically to customers where possible and capture customer details to support, promote and expand this activity as far as possible.
  17. Take appropriate recovery action according to debt type and stage of recovery. Ensure debts are followed up quickly and proactively and disputes are identified early.
  18. Apply a multiple debt management approach - where the Council is aware of more than one debt owing in multiple service areas.
  19. Ensure additional arrangements are in place for collecting Adult Social Care debt ensuring that the needs of vulnerable service users are considered.
  20. Consider special payment arrangements for customers experiencing financial difficulty and where applicable, work closely with partner organisations to prevent debt build up.
  21. Review and write off debt ONLY where appropriate and as a last resort with an audit trail that supports the decision.
  22. Ensure that the Council’s debt position is reported regularly, accurately, and shared with all levels of the organisation to enable and support key decision making around the management of debt.
  23. Promote and nurture a culture of accountability and ownership for debt management throughout the organisation.
  24. Where appropriate all costs incurred in legal recovery action will be recovered from the debtor.
  25. Ensure at all stages of the recovery process, an adequate audit trail is maintained in the financial system.
  26. Take account of equality and diversity issues.

## **Charging Policies**

* 1. The Council will charge for all services where permissible.
  2. The Council will design charging policies which are coherent and cost effective. Policies will be designed to recognise financial inclusion, where necessary, are appropriate, easy to understand and administer.
  3. Charges should cover the full cost (direct + indirect + overhead costs) of the service unless there is an explicitly agreed subsidy or an alternative means of funding.
  4. Individual Services and Departments will periodically, but at least annually, review their charging policies and fee levels to ensure that charges are in line with the market, recover full costs as appropriate and are applied to all chargeable services.
  5. Fees and Charges (excluding statutory charges) will, subject to Cabinet exceptions, increase at least annually in line with the Council’s agreed timetable (typically from April or September) each year by at least the Retail Price Index of Inflation as of December of the preceding year.
  6. Where fees and charges do not recover full cost due to historic reasons the level of increase could be more than RPI but will be capped at a maximum of RPI + 5% per annum until the charges recover full costs.
  7. All exceptions (+ or – RPI rate) will be requested on a business case basis and initially reviewed by an Income Group chaired by the CFO and reported on separately to Cabinet and Full Council in February each year as part of the budget setting. Exceptions could include for example market forces or local impact. This process does not apply to statutory fees.
  8. All fees and charges can be reviewed and amended outside of this timescale where an exceptional case is made to the Income Group. This process again does not apply to statutory fees.
  9. Reporting methodologies are to be continuously reviewed and improved to ensure there is a corporate view of the effectiveness of charging and collection policy.

## **Income Controls**

* 1. The control objective is to ensure that debts owed to the Council are known, raised and recovered within an appropriate time frame and that all income received is accepted, recorded, banked and posted to accounts promptly and properly.
  2. Key Controls are:
* All income due to the Council is identified and charged correctly.
* All income due is properly recorded.
* All income due is collected from the correct person in a timely manner.
* All monies received are properly recorded and banked.
* Effective action is taken to pursue non-payment within defined timescales.
* All income, including VAT is accurately recorded against the correct budget.
* Formal approval for write-off is obtained and appropriate action taken.
* All appropriate documents retained for a defined period.
  1. Proper control of income will result in the following benefits:
* Income receipts are optimised in support of expenditure.
* Improvement in the cash flow position of the Council
* Budget Managers have a clear picture of their budget position.
* Better awareness and management of debt collection
* Prompt banking and coding of monies received.
* Documentation to support the recovery of debt.
* Avoidance of a build-up of bad debts
* Reduced element of personal risk
  1. The following **risks** may arise if effective control of income is not exercised:
* Accumulation of bad debts
* Under recovery of income leading to budgetary deficits
* Detrimental effect on cash flow position of the Council

## **Payments in Advance**

* 1. The standard position of the Council is that wherever possible, payment MUST be obtained either prior to, or at the time of provision of goods or services and without recourse to raising invoices. This minimises the financial risk to the Council.
  2. Wherever possible invoices SHOULD NOT be raised for amounts below £25.00, as it is uneconomical to raise and recover a debt below this value. Exceptions to this should be fully justified and documented. On receipt of a request for goods or services valued below £25.00, payment must be requested in advance or at point of sale.
  3. Where services are provided followed by raising an invoice, Service Departments MUST ensure the customer is instructed to pay in accordance with the Council’s payment terms and should be satisfied in advance, of the customer’s ability pay.

## **Payment Options**

* 1. In line with the Council’s overarching Income Strategy, the Council will continue to develop and encourage payment options which are convenient for the customer and cost effective for the Council.
  2. Direct Debit is the Council’s preferred method of payment for recurring standard charges due to low administration costs and surety. As referred to in the Council’s Income Strategy, the scheme requires strict adherence to protocols in terms of how data is stored and exchanged with banks.
  3. The Council will continue to move to electronic service delivery (e-engagement) as far as possible, design services and processes to accept payment in advance and rely less on paper-based processes.

## **Income Collection Systems**

* 1. All income is required to be reported and controlled through the Council’s finance system, e5. Where services opt to use a case management system to support income collection, consideration must be given to how the income will be reported via the finance system and reconciled within the Council’s bank account.
  2. Services procuring case management systems to support income collection must, prior to deployment, ensure the proposed solution including the accounting and banking requirements have been approved and signed off by the following:
* Head of Finance Operational Services
* Head of Applications Services
* Banking Team – Central Finance

## **Payment Terms and Conditions**

1. The Council’s invoice payment terms must be adhered to and therefore customers are required to settle within terms regardless of any ‘accepted practices’ of industries concerned.
2. Exceptions to this are:

* Where there is an agreement between the relevant Service Department and the customer. (Note the exception must be agreed by the relevant Head of Service or Assistant Director).
* Where there is an agreement between the Debt Team and the customer. (Note the exception must be agreed with the Debt Team Manager).
* Where there is a specific contractual agreement or terms within a contract (signed by a representative of the Council and the customer) that negates the Council’s 30-day payment terms.

## **Balancing Customer Care with Debt Collection**

* 1. It is imperative that the Council can collect income due to it. This helps the Council to pay for the services it delivers, therefore, non-payment and poor debt management may have an adverse impact on services that can be provided by the Council.
  2. When customers find themselves in financial difficulty and are unable to pay their invoices/charges, it is essential that the Council’s approach is equitable, fair, consistent, and transparent.
  3. The Council will endeavour to balance these conflicting priorities by allowing for a holistic appraisal and consideration of customers circumstances and provide arrangements for those who genuinely need additional time to pay their debts. To facilitate payment arrangements, customers will be asked to provide personal financial information. Arrangements will be periodically reviewed to ensure debts are cleared as quickly as possible and action taken if an arrangement is broken.

## **Paying by Instalments**

* 1. In certain circumstances, the Council may accept and agree to an instalment arrangement to clear debt outstanding. However, although the Council has a duty to act reasonably in such circumstances, accepting an instalment arrangement is not compulsory for the Authority and must be appropriately challenged.
  2. When customers find themselves in difficulty with debt and request instalments, the Council will apply a consistent, reasonable, and fair approach, whilst seeking the best possible outcome to ensure debt is recovered as quickly as possible.
  3. Instalment arrangements should generally be agreed for 3 months but ultimately no longer than 12 months. Exceptional arrangements outside of this timescale should be agreed according to Finance Operational Services Scheme of Delegation.
  4. Further details on the Council’s instalment arrangement procedures can be found in the Income and Debt Procedures Manual.

## **Mandatory Requirements for Billing**

* 1. The following conditions MUST be met before raising an invoice:
* The customer has agreed the goods and/or services that are to be provided and the amount to be charged including any vatable element, and the customer has signed an agreement to this effect. The agreement should clearly state the Council’s standard payment terms (30 Days) and set out the Council’s position regarding recovery of debt and legal action, in the case of non-payment. For services that are billed (for example) on a monthly recurring basis such as Adult Social Care, the customer should be encouraged to sign up to Direct Debit payments as part of the agreement process within the relevant service area.
* Where applicable, the customer has provided a valid Purchase Order number from their respective organisation.
* The customer has provided full name, address and contact details in writing, including email and telephone contact details. For recuring invoices where a Direct Debit agreement is in place this will include the customers bank details.
* Where possible the customer has agreed to receive the Council’s invoice by email and consequently, has provided an appropriate email address for this purpose.
  1. All the above stages of the agreement with the customer have been documented and evidence retained.
  2. It is essential that Service Departments obtain written verification from the customer, instructing the Council for the supply of goods and/or services. The instruction given by the customer can then be viewed as legally giving rise to an obligation to pay.
  3. Where the charge is for costs incurred by Worcestershire County Council that could not have reasonably been foreseen, for example, an overpayment of employee salary, the following criteria must be met:
* There is sufficient documented evidence to support the charge.
* The documented evidence has been reviewed and approval has been given for an invoice to be raised by the Line Manager of the team involved, or by the Budget Holder.
* Where appropriate a letter of explanation should also accompany the invoice explaining why the Authority is seeking recovery of monies.

## **Prompt and Accurate Billing**

* 1. Services are responsible for raising invoices for goods and services they supply even if they delegate this practice to a central support team. Those who raise invoices should adhere to the following guidelines:
* All invoices MUST be raised within ten working days of delivering the goods or services.
* The name of the Service Invoice Requestor MUST appear in the body of the invoice.
* System functionality that enables recurring billing must be utilised for periodic billing.
* Invoices must not be raised far in advance of expected or agreed payment due dates.
* Invoices must not be raised speculatively or for charges that are not enforceable.
* ALL invoices must be accurate, correct and fully addressed, and detailed in the description. Full details of the service or goods provided MUST be included in the body of the invoice.
* Invoices MUST quote a valid Purchase Order where appropriate.
* Invoices must be emailed or posted to the customer immediately after raising.

## **Standard Recovery Process**

|  |  |
| --- | --- |
| **First Reminder** | Automatically issued to the customer on day 31 (from invoice date) if invoice not paid within 30 Days |
| **Final Reminder** | Automatically issued to the customer on day 44 (from invoice date) if invoice not paid following first reminder |
| **Service Department Notification (SDN)** | Issued day 58 to the Service Department if invoice not paid following final reminder (see Section 17 of this document) |
| **Adult Social Care Debts over 30 Days Old** | All Adult Social Care invoices 30 days+ passed to the Debt Team for collection. |
| **All other Debts over 90 Days Old** | All invoices\* 90 days+ passed to the Debt Team for collection. The relevant Council Service will be charged a standard fee for each invoice (see Section 17 of this document) |

\*Invoices raised by Maintained Schools are currently exempt from this action.

## **Invoices in Dispute**

* 1. When the Service becomes aware of an issue which is likely to delay or prevent payment of an invoice, the invoice should be temporarily blocked on the finance system, to allow the issue to be investigated by the Service. The Service will have 30 days before this is lifted and chased unless there are significant reasons to extend for a further 30 days. Services must request the addition or removal of an invoice block via the Income Team.
  2. All blocks will prevent any chasing action and should only be applied for the period necessary for the status of the invoice to be investigated, and any corrective action undertaken.
  3. Blocks should be reviewed at least monthly by Services. The Income Team will monitor the use of blocks and will contact the Service where it feels that their use is no longer appropriate.

## **Credit Notes**

* 1. Credit Notes can be used to reduce the value of any invoice which has been incorrectly issued. Credit Notes should not be used to waive or write-off valid invoice sums.
  2. Further advice on the use of Credit Notes can be found in the Income and Debt Procedures Manual.

## **Responsibilities of Service Departments and Budget Holders**

* 1. ALL Service Departments and/or Budget Holders have the following responsibilities and accountabilities in the Council’s debt management and recovery process:
* To identify the charge, or basis of the charge for each chargeable service you provide.
* To identify and fully describe the services you provide for which, charges will be made.
* To ensure that invoices are issued accurately, promptly and within the timescale set out in this document (refer to section 12, Prompt and Accurate Billing).
* To ensure ALL invoices include Service Department contact information including name of responsible officer, telephone and/or email contact details and ensure that this information is provided in the description/details section of the invoice.
* To ensure that any invoice disputes are resolved with the customer within 14 days (of the dispute being raised).
* To ensure that any customer requests for further invoice information (from the customer) are responded to within 14 days.
* To ensure incorrect invoices are cancelled within five working days of identifying the error.
* To monitor and proactively follow up debts outstanding for their Service area and ensure debts are recovered within the Council’s payment terms.
* To immediately act upon receipt of a Notification (SDN) that an invoice remains unpaid at 58 days to contact the customer and take appropriate action to recover the debt.
* To fully participate in the Legal referral process including prompt completion of Litigation Questionnaires and/or provision of all supporting documentation within the timescale set out in this document.
* To undertake Write Offs in line with the agreed Scheme of Delegation or to provide written consent for Write Off to be undertaken by the Debt Team.
* To ensure all staff engaged in the invoice raising and debt collection process are fully aware of the process and have a clear understanding of their responsibilities within the process.
* To ensure when an employee, within your service, leaves the Council owing a sum of money (via a salary sacrifice scheme that cannot be deducted from the final salary payment), the employee must be formally advised, prior to them leaving, that an invoice will be raised for the balance owed and that payment is expected within the Council’s payment terms.

## **The 90 Days Rule**

* 1. ALL invoices, except for those raised by Maintained Schools (who remain fully responsible for their debts throughout) and specific Social Care debts (where a separate arrangement has been agreed) will be subject to the 90 Day Rule, which will be implemented as follows:
* Invoices 90 days old (from the date of invoice) will be automatically passed to the Debt Team for collection, this will be achieved and monitored via a regular report from the finance system.
* The relevant Service/Directorate will be charged 5% of the net value of the debt at the point the debt is passed to the Debt Team.
* The charge will apply regardless of the Debt Team’s success or failure to recover the debt.
  1. All debts subject to this action will be included in monthly Directorate reports (see section 24 of this document).

## **Responsibilities of the Debt Team**

* 1. The Council’s Debt Team will be responsible for:
* Taking ownership of and pursuing all Adult Social Care debts at 31 days.
* Taking ownership of all other debts 90 days old (excluding those raised by maintained schools) as stated in section 17 of this document.
* Segmenting and working debts according to value and debt type, which will determine the recovery approach applied by the Team.
* Reviewing social care debts on a case-by-case basis.
* Policing debts on hold or in dispute and ensuring the Service responsible is taking the appropriate action to resolve issues promptly.
* Referring debts to Legal Services.
* Ensuring all debts referred for legal action have sufficient information and detail for legal action to commence immediately.
* Administering the Litigation Questionnaire process.
* Ensuring all credit notes are issued promptly by Service Departments.
* Reviewing, agreeing/rejecting customer instalment arrangement requests that are outside of the standard repayment timescale set out in section 9 of this document.
* Administering write offs in line with specified criteria and the Council’s Scheme of Delegation.
* Ensuring debt status is relevant, up to date and accurately maintained in the financial system.
* Encouraging best practice across the organisation regarding debt collection and income management.

## **Litigation and Legal Action**

* 1. The Council will use Litigation Questionnaires as a mechanism for referring debts to Legal Services for legal action.
  2. All officers engaged in the invoice raising process MUST have an awareness and understanding of the litigation and legal process, and able to complete a Litigation Questionnaire. Note, the Debt Team will manage this process on behalf of Adult Social Care debts as noted in section 22.6 of this document.
  3. The litigation process must be timebound and questionnaires must be completed within 14 days of receipt (where applicable).
  4. Service Departments (where applicable) must support Legal Services and legal action with prompt responses to queries and requests for information.
  5. Debts may be recommended for write off by the Debt Team where the Service has failed to comply with the timescale set out in the Council’s Accounts Receivable Procedures Manual for the completion and submission of Litigation Questionnaires.
  6. Costs associated with taking legal action to recover debt will be passed on to the appropriate Service Department.

## **Legal Costs and Interest Charges**

1. 1. The Council has a statutory entitlement to interest and compensation for debt recovery costs under the Late Payment of Commercial Debts (Interest) Act 1998, in cases where the Council has supplied goods and services, its payment terms have not been adhered too and there is no express provision for interest within the Terms and Conditions of Business. Such entitlement to interest and compensation does not apply to individual debts including, Adult Social Care debts or Consumer Credit Agreements.
   2. Where it is determined that the Late Payment of Commercial Debts (Interest Act) 1998 applies, the Council will be entitled to charge: -

* Interest at a rate of 8% above the Bank of England base rate.
* Compensation at a rate of £40 - £100 depending on the size of the debt; and
* Its reasonable costs to the extent not covered by the compensation, to include solicitors’ fees and costs associated in pursuing the debt e.g., tracing fees.
  1. The Council has a statutory entitlement to claim interest, fees, and costs for individual debts i.e., social care contributions, where County Court proceedings are issued in order to recover sums due. In accordance with section 69 of the County Courts Act 1984
* Interest will be charged at a rate of 8% from the date on which the debt fell due up to and including the issue of the claim.
* The Council’s reasonable costs in seeking to recover the debt, to include court fees and solicitors’ costs will also be recovered in accordance with the applicable Civil Procedure Rules.
  1. Where it is determined that interest charges should be applied, the charge will be levied on the Council’s behalf by Legal Services.

## **Debtor Tracing**

* 1. Costs associated with debtor tracing will be charged to the relevant Service Department where the debt has originated. The Debt Team will co-ordinate this between the Service and Legal Services and initially seek authorisation (from the relevant Service) to instruct a debtor trace and apply the relevant charge.

## **Social Care Debt**

* 1. The Care Act 2014 presents a modern legal framework for the recovery of debt that may have accrued as a result of the Council meeting a person’s eligible care and support needs. The Care Act also provides the Council with the power to recover charges from a third party where a person has transferred assets to them to avoid paying for care and support.
  2. The recovery of debt from those who are receiving care and support (or their financial representative) is a sensitive issue given the potentially vulnerable nature of the individuals and the Council’s ultimate responsibility to meet needs. Given this, the Council’s Debt Team will apply the following principles when attempting to recover social care debts.
* The Council will act reasonably.
* Debts must be discussed with the client or their financial representative via the most appropriate communication channel (for the client).
* Arrangements for debt repayments should be agreed with the relevant parties; and
* Court action should only be considered when all other reasonable options have been exhausted.
  1. New Debtors or their financial representatives will be contacted, following the 30 days reminder process, to discuss the financial assessment, billing, and payment methods.
  2. Where the client is deceased and there is a balance outstanding on the account, the Deceased Clients with a Balance Outstanding Process will be followed.
  3. Following the initial stages of the Council’s recovery process (from 31 days onwards), if a debt remains unpaid, it will be considered for referral to Legal Services.
  4. The Debt Team will take the following action:
* Review debts on a case-by-case basis, ensuring that where appropriate, the person, or their financial representative is contacted by telephone to determine why the debt is unpaid. Where necessary there may be more than one effort to contact to address issues as quickly as possible.
* Issue a first and final demand letter where appropriate explaining that the legal referral process, and consequential additional and interest charges, may be instigated.
* Refer debts to Legal Services, ensuring that each case referred is fully supported by the appropriate documentation and the Council can prove legal basis for the claim.
  1. The Council will always seek to establish who has legal authority to make financial decisions on behalf of the individual and will engage with that person regarding any debt outstanding.
  2. Where a debt may have accrued because of diminishing or a lack of mental capacity and the person has an appointed financial representative for property and financial affairs, the Council will discuss all debt recovery options with the financial representative.
  3. Where the person lacking mental capacity has no appointed financial representative and has substantial debts, an application for a deputy is required. The application must be made to the Court of Protection. Family members may make an application to become deputy however, where there is no family involved, the Council may apply to become deputy. The Council will always consider any risk of conflict of interest where it applies to take on property and financial affairs deputyship and where appropriate request the appointment of a panel deputy.
  4. Where a significant debt has accrued (for non-residential services) and a person is eligible to be offered a Deferred Payment Agreement for residential care, the Council’s Deferred Payment Team will seek to secure the unsecured debt by this process. For the Council, this will help minimise the risk associated with the debt.
  5. Where a person refuses the option of a Deferred Payment Agreement or does not meet the eligibility criteria, the Council’s Legal Team can seek to enforce the debt via an application to the County Court.

## **Customer/Supplier Payment Offset Arrangements**

* 1. Offset arrangements can usually provide the quickest and most efficient way to collect debt outstanding and their use should be considered for appropriate customers.
  2. Where an organisation is both a Council customer and supplier, and there is significant debt owing to the Council, it may be appropriate for the Service Department to negotiate with the customer/supplier to agree to offset debts outstanding from an outgoing supplier payment. This can be agreed for a one-off payment or as an instalment arrangement.
  3. As part of their debt monitoring activity, Service Directorates should identify opportunities to offset debt outstanding in a customer/supplier offset arrangement wherever possible and work with the customer/supplier to achieve this outcome.
  4. Further detail on this process can be found in the Council’s Income and Debt Management Procedures Manual.

## **Performance Monitoring and Reporting**

* 1. The following debt management reports will be produced periodically:

|  |  |  |  |
| --- | --- | --- | --- |
| **Report** | **Frequency** | **Recipient/s** | **Purpose** |
| Aged Debt Report | Monthly | FLT, Debt Team | Council’s overall aged debt position including bad debt provision calculation |
| Adult Social Care 30 Days Report | Weekly | Debt Team | Pursuit of Adult Social Care debts over 30 days old. |
| 90 Days Report | Weekly | Debt Team | Debts at 90 days referred to Debt Team |
| Directorate Debt Report | Monthly | Service Directorates, Heads of Service | Directorate ownership of Debt. To highlight Directorate levels and status of debt including disputed debts and litigated debts |
| Write offs vs Debt Raised | Monthly | FLT, Heads of Service | To monitor write off trends and volumes |

## **Insolvency**

* 1. All officers involved in the customer engagement and invoicing process must be aware (as far as possible) of their customer’s financial position. Payment should be obtained in advance of service provision wherever possible (refer to section 5 of this document).
  2. Any officer that becomes aware of a company or individual entering receivership or insolvency where a debt is owed to the Council, must notify the Debt Team.

## **Debt Write Off**

* 1. Write off approval must be sought in line with the **Council’s Scheme of Delegation** and carried out in accordance with the procedures set out in the Council’s Income and Debt Procedures Manual.

## **VAT Bad Debt Relief Claim**

* 1. Where VAT has originally been charged on an invoice and the invoice is subsequently written off, the Council may be able to claim VAT bad debt relief. Claims for bad debt relief need to be completed as part of the write off process. Relief from VAT on bad debts can be claimed providing the following criteria are met: -
* Goods and/or Services have been supplied and VAT has been accounted for and paid to HMRC (as output tax) but no or part payment has been received.
* The amount has or is about to be written off in the accounts.
* Six months have elapsed from the date of supply and the time when payment was due.
  1. The claim must be made within four years and six months of the date the payment was due to the Authority, or the date of supply. The process will be managed by the Central Finance Team.
  2. The amount of refund claimable will depend on whether any part payment has been made.
  3. VAT enquiries – Tel. 01905 846521 or email [VatEnquiries@worcestershire.gov.uk](mailto:VatEnquiries@worcestershire.gov.uk)

## **Bad Debt Provision**

* 1. The Council will maintain a Bad Debt Provision which represents a proportion of debts outstanding held on the debtors’ ledger that are considered uncollectable and where it is reasonable to expect less than 100% of invoices raised will be fully paid. The provision may vary from one year to the next. Factors such as the amount of debt written off in a year, general economic climate, sector specific issues and query issues with individual debtors are all considerations that will be assessed when setting the Bad Debt Provision.

**Key Contacts**

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## **Version Control**

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| Created by: | Version: | Date: |
| Nicky Hardman | 1.0 | 31st May 2023 |
| Reviewed: Charles Huntington | 1.1 | 31st May 2023 |
| Reviewed:Nicky Hardman | 1.2 | 1 June 2023 |
| Reviewed: Nicky Hardman | 1.3 | 20 Sept 2023 |
| Reviewed: Nicky Hardman | 1.4 | 25 October 2023 |
| Reviewed: Nicky Hardman | 1.5 | 28 November 2023 |
| Reviewed by Nicky Hardman, Heather Griffiths, | 1.6 | 5 December 2023 |
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