

## **RINGWOOD TOWN COUNCIL**

### **POLICY ON INCOME RECOVERY**

#### **1. INTRODUCTION**

- 1.1 The primary objective of a sound income recovery policy is to ensure that all monies owed to the Council are collected in a reasonable period, and all debtors are treated in a fair and equitable manner.
- 1.2 This policy applies to all sums owing to the Council and has been developed to ensure a consistent approach to the management of income recovery for the Council.

#### **2. POLICY AIMS**

The key aims of this policy are as follows:-

- 2.1 To ensure a professional, consistent and timely approach to recovery action for all of the Council's sundry income.
- 2.1 To consider debtors' ability to pay and determine between those who will not pay and those who genuinely cannot pay.
- 2.1 To ensure that debts are managed in accordance with legislation and best practice.
- 2.1 To treat individuals consistently and fairly regardless of age, gender, disability and sexual orientation, and to ensure that the individual's rights under the Data Protection legislation are protected.

#### **3. POLICIES COMMON TO SUNDRY DEBTS**

- 3.1 As far as is possible, every invoice will be correctly addressed to the person and/or organisation who/that is liable to pay it, i.e. has "legal personality".
- 3.2 Invoices will be issued on the day of production, wherever possible.
- 3.3 Invoices will be retained in paper or scanned format for at least three years after they have been issued, or until they have been written off, if this is later.
- 3.4 The Council will use the most appropriate and effective method of income recovery, and encourage debtors to use cost effective payment methods.
- 3.5 All invoices, reminders, and final notices will be sent by 2<sup>nd</sup> class post, unless contrary to statutory or legal requirements. They will comply with the corporate style and be readily identifiable as being from the Council.
- 3.6 The responsible financial officer (RFO) will be able to intervene in the recovery cycle to deal with hardship or dispute situations. This includes the granting of deferred payments where immediate full payment is impossible.
- 3.7 As the Council recognises that prompt recovery action is a good management practice to managing its debt and maximising its income, the RFO will:-

- 3.7.1** Regularly monitor the level and age of debt.
- 3.7.2** Have clear written recovery procedures.
- 3.7.3** Regularly review irrecoverable debts, and those that are un-economic to recover, and make recommendations for write-off.

**3.8** Written-off invoices will be debited against the income codes on which the original credits were made. VAT on written-off invoices will only be recovered by the Council in accordance with HM Revenue and Customs' rules.

**3.9** The Council will attempt to recover from the debtor any fees that are legitimately due from the debtor to the Council, or its agents.

#### **4. PRINCIPLES OF ENFORCEMENT**

**4.1** The Council will, wherever possible, follow the principles of proportionality, consistency, and transparency.

**4.1.1** Proportionality allows for a balance between the potential loss of income to the Council, and the costs of recovering the debt.

**4.1.2** Consistency will be given in advice to debtors, and in the recovery procedures used.

**4.1.3** Transparency is important in maintaining public confidence. It means explaining clearly the reasons for taking recovery action and stating clearly the time scales involved.

#### **5. POLICY FRAMEWORK FOR THE RECOVERY OF INCOME**

**5.1** The RFO is responsible for ensuring the billing, collection, and recovery of sundry income.

**5.2** The settlement terms for all debtors' invoices will be 30 days, except where instalments have been agreed, or as otherwise contractually agreed.

**5.3** If unpaid, a reminder notice will be issued to the debtor 30 days after the invoice date. If still unpaid, a final reminder notice will be issued after a further 30 days.

**5.4** If a debtor's invoice up to £500 is still unpaid 21 days after the final reminder notice, the RFO will decide whether to defer recovery action, or initiate recovery proceedings, or to write off the debt. For debtors' invoices above £500, the RFO will report the circumstances to the next appropriate Policy and Finance Committee, and make recommendations as to defer, to initiate recovery proceedings, or to write-off the debt.

**5.5** Any additional direct costs incurred during the recovery of a debtor's invoice will be charged to the related service.

**5.6** All statutory methods of debt enforcement will be considered on a case by case basis.

**5.7** Where legally permissible, the provision of future services to the debtor will be suspended until outstanding debts are cleared.

**6. WRITE OFF POLICY**

- 6.1** The Council will seek to minimise the cost of write-offs by taking appropriate action to recover outstanding debts.
- 6.2** The RFO will write off irrecoverable debts up to the value of £500, and shall report these to the Policy & Finance Committee.
- 6.3** Debts over £500 considered by the RFO to be irrecoverable, shall be reported to the Policy & Finance Committee, and, if approved, written off in the year, in accordance with the Council's Financial Regulations.
- 6.4** Irrecoverable debts will include:-
  - 6.4.1** Where the debtor is suffering from a severe physical or mental illness which renders enforcement action inappropriate;
  - 6.4.2** The Council is unable to trace the debtor;
  - 6.4.3** The debt is not cost effective to pursue;
  - 6.4.4** The debtor has died and there are insufficient funds in the estate to meet the outstanding debt;
  - 6.4.5** The debtor is subject to formal insolvency proceedings and it is very unlikely that a dividend will be paid.

Adopted on 29<sup>th</sup> September 2010