



Debt Recovery Policy and Framework



DEBT RECOVERY POLICY AND FRAMEWORK	1
INTRODUCTION.....	3
CONTEXT.....	3
POLICY OBJECTIVES.....	3
DEBT RECOVERY ENVIRONMENT	4
GENERAL PRINCIPLES	4
ROLES & RESPONSIBILITIES	5
DEBT RECOVERY POLICY	8
DEBT RECOVERY POLICY	9
1. PAYMENT TERMS	9
2. CREDIT TERMS.....	9
3. TIMELINESS.....	9
4. DE-MINIMIS LEVEL	10
5. DEBTOR INFORMATION	10
6. OVERPAYMENTS BY NCC.....	10
7. ENQUIRIES FROM DEBTORS.....	10
8. INVOICES PLACED ON “HOLD”	11
9. CANCELLING AN INVOICE	11
10. INSTALMENTS.....	12
11. DEBTORS IN RECEIVERSHIP/LIQUIDATION.....	12
12. UNIDENTIFIED INCOME	12
13. SECURE DEBTS.....	13
14. LATE PAYMENT INTEREST	13
15. DEBTS REFERRED TO THE HEAD OF LAW.....	13
16. ACCUMULATION OF DEBTS	14
17. COSTS	14
18. ALLOCATION OF PAYMENTS	14
19. DEBT WRITE OFF	14
Debts over £10,000	14
Debts £500+ to £10,000	14
Debts under £500.....	15
Debts below £10.....	15
20. PAYMENT RECEIVED AFTER AN INVOICE HAS BEEN WRITTEN OFF	15
DEBT RECOVERY PROCESS	16
DEBT RECOVERY TIMETABLE	16



Introduction

This policy is issued as an appendices to the Council's [Financial Regulations and Procedures](#). The policy forms part of the financial procedures and should be followed by all parties involved in the recovery of monies owed to the Council.

Appendix A of the policy refers specifically to those debts that arise directly from charges raised for adult social care in line with Care Act 2014.

Appendix B of the policy refers specifically to the Adult Social Care Deferred Payments Scheme.

The responsibility to observe this policy is that of both the employee and the department who approve the raised charge.

Context

Norfolk County Council raises in the region of 120,000 invoices each year at a value of over £900m. On average the Council is able to collect 92% of income within the financial year it was raised.

For those invoices that remain outstanding debt recovery procedures are in place to ensure that the Council is maximising its income.

We use a core financial system to raise invoices and manage the debt recovery process (My Oracle). We also use a number of source systems to feed invoice data into My Oracle via interface.

Policy Objectives

The objectives of the Policy are to ensure:

- Debt recovery processes are consistent, fair and comply with legislation and financial regulations and procedures
- Debt recovery action considers associated Council charging policies
- Debt recovery is used to maximise income collection by the most fair and effective means
- Debt recovery action is proportionate, pro-active and supportive to customers to ensure they are well informed of the payment options or signposted to other support services where applicable



Debt Recovery Environment

The policy and legislative framework that the debt recovery service works within includes:

[Adult Care Charging Policies](#)

[Council's Constitution](#)

[Councils Financial Regulations & Procedures](#)

[Care Act 2014](#)

[Equality Act 2010](#)

[Insolvency Act 1986](#)

[Human Rights Act 1998](#)

Public law principles

[Pre-Action Protocol for Debt Claims](#)

The Policy is designed to ensure compliance with the above legislation and Council policies.

General Principles

In order for the debt recovery policy to be robust, income collection and debt recovery processes must ensure:

- The charge is correct and has been raised accurately and timeously
- The customer is provided with an easy to understand invoice which provides information on the details of the charge, the basis of the charge, methods of payment and Council contact details.
- There are agreed triggers in place to provide an opportunity for early intervention to reduce the likelihood of arrears growing larger
- There is a clear recovery process which is understood and implemented fairly and consistently by the Council
- Appropriate advice and support is given



Roles & Responsibilities

Role	Responsibility
Cabinet	<ul style="list-style-type: none">• Write off authorisation for debts over £10,000
County Leadership Team (CLT)	<ul style="list-style-type: none">• Section 151 Officer (Executive Director of Finance and Commercial Services)• Write off authorisation for debts over £500• Promote consistent income practice in line with the Income Collection Policy and Framework and Financial Regulations
Finance Management Team (FMT)	<ul style="list-style-type: none">• Agree arrangements for the collection of all income due to the Council and to approve income collection policy, processes, systems and documentation.• Promote consistent income practice in line with the Income Collection Policy and Framework and Financial Regulations
Finance Business Partners (FBP)	<ul style="list-style-type: none">• Liaison between service department and FES for early identification of policy/procedure change that may affect debt recovery or require changes to debt recovery procedures/processes/systems• Feedback to service department on areas of improvement• Feedback to FES on areas of improvement
Corporate Exchequer Manager	<ul style="list-style-type: none">• Write off authorisation for debts under £500
FES Credit Control Service	<ul style="list-style-type: none">• Strategic responsibility for setting, developing and maintaining Debt Recovery Policy and Framework• Development of debt recovery systems and processes (including QA/Monitoring)• Ensures Debt Recovery Policy and Framework are embedded across Council• Supports employees and services in the debt recovery process (including training)



Role	Responsibility
	<ul style="list-style-type: none">• Debt recovery action for NCC for all services• Sign off of customer instalment terms• Feedback to service departments to ensure processes & procedures support early collection of income
Finance, Budgeting and Accounting	<ul style="list-style-type: none">• Promoting good income collection practice.• Highlight changes in Service Departmental business practice that may impact on debt recovery processes• Provide advice and guidance on debt recovery to service departments.
RBO's	<ul style="list-style-type: none">• Promote consistent income collection practice in line with Income Collection Policy and Framework, Financial Regulations, and contractual commitments• Ensure invoices are raised promptly in line with Income Collection Policy and Framework, Financial Regulations, to enable the Council to correctly record the sums due to the Council.• Ensure invoices are not raised for amounts under £10, except where NCC has a legal obligation to do so. Where it is not cost effective to raise an invoice, income should be collected prior to the goods or service being delivered.• Once an invoice is raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt• Keep the Credit Control Team informed of any invoices in 'dispute'
Employees	<ul style="list-style-type: none">• Ensure all income due to the Council is identified and charged correctly.• Adhere to the Debt Recovery Policy and Framework



Role	Responsibility
	<ul style="list-style-type: none">• Only access invoices raised and income collection information for the purpose intended
Service Departments	<ul style="list-style-type: none">• To maintain a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.• Inform Finance about changes in legislation, policy, process changes etc. that may affect the collection of income.



DEBT RECOVERY POLICY



Debt Recovery Policy

Once an invoice has been recorded in the Council's financial system and sent to a customer this should lead to payment. Where this is not the case the Credit Control Team under delegated authority from the Executive Director of Finance and Commercial Services will instigate a process to recover all debts which have been outstanding for more than 30 days.

1. Payment Terms

1.1 All accounts raised are due for immediate payment. If any other payment terms are required these must be presented to the Credit Control Team, with a business case, to seek agreement.

2. Credit Terms

2.1 If the Council has had no dealings with a customer before or if the customer has a record of poor payment, then consideration should be given to requesting payment before the goods or service are supplied (in line with legislation and charging policies). A paid invoice can be supplied after the event, if required.

3. Timeliness

3.1 It is important that invoices are raised in respect of all debts as soon, as is reasonably possible. Invoices must be accurate, and they must not be speculative. They must be entered into the Council's financial system without delay.

3.2 Where the Council is in a contractual situation and stage payments are made a request for payment should be issued in the first instance. An invoice should only be raised once agreement has been reached on the amount to be paid.

3.3 If an order has been part completed, consider raising an invoice for this part of the work, particularly if there will be a delay before completing the order **and/or** the order is large.

3.4 Once an invoice has been entered into the financial system, its date is fixed and the clock starts ticking for debt recovery purposes. Invoices will not be returned to departments upon printing, nor will attachments be sent out with invoices. The most practical approach is to send correspondence or attachments under separate cover and say that an invoice will follow.



4. De-Minimis level

4.1 Invoice Amount Departments are advised not to raise official invoices for amounts below £10 (except where NCC has a legal obligation to do so) as the cost of collection will outweigh the income being collected. In these circumstances departments should collect the income before goods/services are delivered. Where departments do not use official invoices and do not obtain payment in advance then the department is responsible for debt recovery.

4.2 Legal Costs Finance Exchequer Services will regularly review the average costs for referring a case for legal action. This will be balanced against the sum of the debt to ensure we are not pursuing cases where the sum of the legal costs outweighs the amount of the debt.

5. Debtor Information

5.1 Every effort will be made to ensure that only one customer record exists for a customer.

5.2 The Council's financial system records the customer name and address information for raising invoices. However, it is the responsibility of departments to ensure that the information is correct and up to date, before raising an invoice. Credit Control return invoices with incorrect addresses to the raising department and it is their responsibility to ensure the correct address is used. The credit control team will instigate a customer trace upon the request of the department. Any costs incurred will be charged to the originating department.

6. Overpayments by NCC

6.1 If a debt has arisen as the result of an overpayment to a creditor, the first consideration should be given to deducting monies from further payments due. However, if this is not possible then an invoice should be raised without delay.

7. Enquiries from Debtors

7.1 If a debtor queries an invoice with the Credit Control Team, the invoice will be placed on hold and the query referred back to the originating department.

7.2 If a debtor queries an invoice directly with the originating department, the department must immediately notify the Credit Control Team so that the invoice may be placed on hold.

7.3 Once a query has been raised the originating department must reply to the debtor within 15 working days.



7.4 Copies of all correspondence (and details of telephone conversations) must be sent to the Credit Control Team daily. The Credit Control Team are responsible for maintaining the debt history and will need to pass all relevant papers, including copies of correspondence, to the Head of Law if the debt is referred for further action.

7.5 Where the supply is liable to vat the debtor has a right to request either a vat invoice or a vat receipt. This right will normally only be taken up by a vat registered trader.

8. Invoices placed on “Hold”

8.1 Where an invoice has been queried and placed on hold the originating department must keep the Credit Control Team informed of progress. If the query cannot be answered within the 15-day limit, then the originating department must give the Credit Control Team an indication of when the query will be settled. This date should not be more than 20 days later than the 15-day response limit.

8.2 If the originating department cannot resolve the query within this extended period, they must request the invoice remain on hold for a further specified period of time. If no extension has been requested the invoice will be taken off hold.

8.3 The Executive Director of Finance and Commercial Services may cancel any invoice which is on hold where queries are not being progressed. Notification will be made to the originating department and they will need to raise a new invoice when the query is resolved.

9. Cancelling an Invoice

9.1 Once an invoice has been printed it cannot be changed or cancelled. If it is subsequently found to be in error, then a credit note must be raised, to either cancel the complete invoice or part of the invoice.

9.2 It should be noted that this procedure relates only to those circumstances where the debt, as raised, is incorrect.

9.3 If cancellation is required in other circumstances the invoice must be written off. Care should be taken in raising invoices to ensure that the need for cancellations is kept to a minimum.

9.4 If an invoice is found to be incorrect before it has been printed then it can be voided.



10. Instalments

10.1 Any request to pay by instalments must be referred to the Credit Control Team, who will contact the debtor to obtain details of their income and expenses and the debtors offer to pay. The Credit Control Team alone will have the delegated powers to accept or reject the offer. If the offer is not considered reasonable then the Credit Control Team will refer back to the debtor to negotiate an increased offer. If no greater offer is forthcoming the debt may be referred for legal action.

10.2 If a debtor fails to honour an instalment payment they will be contacted and reminded that a missed payment means that the whole of the debt becomes immediately due and normal recovery procedures will be applied.

11. Debtors in Receivership/Liquidation

11.1 If notification of a firm going into receivership or liquidation is received, it should be forwarded to the Credit Control Team, who will check for outstanding debts. If there are any and they have been referred to the Head of Law, then the Credit Control Team will refer all other outstanding debts (irrespective of age) to the Head of Law together with any correspondence from the receivers/liquidators. If there are outstanding debts but none have been referred then the Credit Control Team will deal with the receivers/liquidators.

12. Unidentified income

12.1 In order to reduce the amount of unidentified income recorded in the financial system departments should raise invoices for known grant income, using a grant transaction type. This will enable the income to be matched promptly. By using a grant transaction type, the invoice will not be chased and will be omitted from monitoring reports.

12.2 Where departments are asked for assistance in identifying unidentified income, they should respond within five working days.

12.3 Any unidentified income, unapplied after three months, will be taken into central funds (finance general). If this is subsequently identified, prior to yearend closure, then a transfer to departmental budget may be affected.



13. Secure Debts

13.1 If a debt is secured by property then the Credit Control Team will not chase the debt, subject to sufficient equity. However, NCC must ensure that there is a legal charge over the property and not just a promise of payment against a future sale. Without a legal charge NCC are powerless to enforce payment.

13.2 For specific provision for the security of Adult Social Care debt please refer to **Appendix A**. The Policy & Procedure for the Deferred Payments Scheme can be found at **Appendix B**.

13.3 A solicitors undertaking is also acceptable as a form a securing a debt.

14. Late Payment Interest

14.1 Under the “Late Payment of Commercial Debts (Interest) Act 1998” the Council is entitled to claim statutory interest for the late payment of commercial debts. In addition, the Council is entitled to claim reasonable debt recovery costs. Any such costs which may be recovered will be credited against corporate debt recovery costs and loss of interest. It will not be credited to departmental budgets.

15. Debts referred to The Head of Law

15.1 When a Pre-Action Protocol letter has been sent to a debtor the Credit Control Team will request any relevant papers from the originating department. Once received, and the time limit reached, they will forward instructions to the Head of Law to commence proceedings against the debtor, providing the supporting documentation is satisfactory.

15.2 Until all supporting documentary evidence has been received and reviewed, no action can be taken. If action by the Head of Law results in a query from the debtor, the Head of Law will request any information required from the originating department and keep the Credit Control Team aware of such request. Departments must respond to the Head of Law in a timely manner. Failure to respond could mean that the debt can no longer be pursued and will need to be written off.

15.3 If a debt is irrecoverable or if the Head of Law advises that it would be uneconomic to pursue, it will be referred to the Credit Control Team with a view to write off.

15.4 If the Head of Law agrees an instalment plan with a debtor, then once one payment has been received the debt will be passed back to the Credit Control Team for monitoring under the normal instalment arrangements.



16. Accumulation of Debts

16.1 Outstanding invoices should be treated cumulatively rather than individually. So that if a debtor has three debts of £200, they should be treated as one debt of £600 and referred for legal action rather than three separate debts each to be written off.

17. Costs

17.1 Legal proceedings result in the Council incurring additional costs. The Council's policy is that costs should be included in our claim against the debtor. Any costs, which are not recovered from the debtor will be charged to the department who originated the invoice.

18. Allocation of Payments

18.1 Unless a debtor specifies that a payment is for a specific invoice any monies received will be allocated firstly against fees, costs and interest and then against the oldest debt, but excluding disputed items. However, if the payment is from an organisation, which carries out a great deal of business with NCC (e.g. Norse, CCG's) then the Income Team will contact them and request a breakdown.

19. Debt Write Off

19.1 The Council's Constitution sets out that debts over £10,000 need to be referred to the Council's Cabinet for write off authorisation. This figure should be subject to inflation increase on an annual basis. All other delegation decisions are delegated to the Executive Director of Finance and Commercial Services.

Debts over £10,000

Each month outstanding debt figures are produced and included in the Finance Monitoring Report presented to the Cabinet. Any uncollectable debts, over £10,000, which require write off are also included in this report.

Debts £500+ to £10,000

Each month a schedule is prepared of uncollectable debt for authorisation by the Executive Director of Finance. The schedule will include the reason for requesting write off.



Debts under £500

Each month a schedule is prepared of uncollectable debt for authorisation by the Corporate Exchequer Manager. The schedule will include the reason for requesting write off.

Debts below £10

19.2 Periodically the Income Collection team will produce schedules of outstanding debts under £10 and over 3 months old. These are uneconomic to pursue and will be authorised for write off by the Income Manager. This action will include accounts where invoices have been part paid leaving a balance under £10 but will not include accounts where a number of invoices are outstanding with a cumulative balance of more than £10. It will not apply to rents and wayleaves where NCC consciously raise and accumulate low value invoices.

20. Payment received after an invoice has been written off

20.1 If payment is received after an account is written off, the Council's financial system will show this as unapplied cash. A daily reconciliation is carried out by the Income Team of all unapplied cash and in these cases the write off will be reversed (up to the value of the receipt) and the cash will be applied to the original account within My Oracle.



Debt Recovery Process

Debt Recovery Timetable

This timetable charts the action to be taken on unpaid debts, as debts are paid then they drop out of this procedure. If contact is made with the customer then the timescale may change depending on the individual circumstances.

Day 1 Invoice entered into the system.

Day 2 Invoice despatched.

On the last day of the month statements are produced for commercial customers who have a debit balance over £10

Day 31 If no contact has been made by the debtor or the explanation for the non-payment of the debt is not satisfactory, personal contact with the debtor (or their representative) will be made in order to achieve one of the following outcomes: -

An undertaking to pay the debt within 10 days, **or**
Reasons why the charge should be reassessed and an undertaking to send any supporting documentation to enable this to be carried out within 10 days, **or**
An offer to pay by instalments

Day 41 If the debt is still outstanding and no instalment arrangement has been agreed or no doubt has been raised concerning the validity of the debt within 10 days of contact or if no personal contact can be made at all then a letter will be sent to the debtor, outlining the debt and requesting that the debtor makes payment in full or contacts the Credit Control Team.

Day 51 If no payment is made within 10 days of the first letter, a second letter will be sent to non-commercial debtors, repeating the request for payment or contact. It will also signpost the debtor to various organisations offering free independent advice.

Day 51/61 10 days after the first letter or second letter for commercial or non-commercial debtors respectively, another attempt to make personal contact will be made.

Day 61/71 10 days after the second attempt to make the personal contact, if the debt is below the agreed amount, a letter before action will be sent to the debtor.



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Debts below agreed amount will not be referred for legal action due to cost effectiveness. If there are other alternatives, such as deduction from salary, these will be pursued. However, in many cases there is no alternative but to write the debt off. Departments should explore all avenues of collecting small value sums prior to supplying goods or services to avoid this situation.

Day 61 If the debt amount is over the agreed amount for legal action and commercial, a letter before action will be sent to the debtor advising of our intention to take legal action and a legal referral will be made 14 days after.

Day 71 If the debt amount is over the agreed amount for legal action and not commercial then details of the written or verbal agreement on which the invoice was raised will be requested from the raising department. A pre action protocol letter will be sent to the debtor. Including; details of the agreement, a statement of the account, a reply form, an information sheet and a financial statement with which the debtor can communicate their financial situation.

If the reply form is not returned within 30 days, then legal action can be taken, and a legal referral will be made.

The reply form sets out a number of possible responses from the debtor. They can admit to the full amount or part of the debt or advise that they dispute it. They can undertake to make payment in full or offer instalments. They can request further time to obtain debt advice or request further documents relevant to the debt, which must be provided to the debtor within 30 days. If the reply form does not result in a resolution to the debt, then a letter will be sent to the debtor advising of our intention to take legal action in 14 days' time and a legal referral will be made.

The process by which the debt recovery cycle is deployed is dependent on the customer type. Customer Strategies are used to ensure consistent management of the debt recovery cycle. Further details on customer strategies are available on request.

If a customer requests instalment this can be agreed over the phone or without additional information if the debt can be cleared within 3 months. If the debtor requires longer to address the debt, then they will be sent an instalment request form which they must return within 14 days with copy bank statements. In the exceptional circumstances that instalments will be considered for a commercial debtor they must send in a record of their company accounts.