

New Mills Town Council

Income Collection, Overpayment, Debt Prevention and Recovery Policy



1. Introduction

This policy outlines New Mills Town Council's procedures for managing late payments, outstanding accounts (bad debts), overpayments, and the collection of income in accordance with Financial Regulations.

2. Policy Objectives

The aim of this policy is to:

- Clearly define the procedures for identifying, minimizing, and recovering potential bad debts.
- Establish a consistent process for writing off irrecoverable debts and handling overpayments.
- Ensure robust procedures are in place for the collection, recording, and reconciliation of all income.

2.1 Income Collection Objectives

The aims of this policy are to outline the detailed rules, procedures, and internal controls for the collection of income due to the Council and the recovery of any outstanding debt.

2.2 Specifically, this policy aims to ensure that:

- All income directly receivable by the Council in the form of cash, cheques, and card payments is properly collected, receipted, recorded, securely held, and banked promptly.
- Invoices raised in respect of debtors are accurately calculated, VAT treatment is verified, and invoices are promptly issued.
- Positive action is taken to prevent arrears from occurring.
- Appropriate recovery action is taken against non-payers.
- All income is properly reconciled and accurately accounted for.

2.3 Policy Scope

This policy applies to all Council officers involved in requesting sales orders, collecting income, or managing outstanding debt. It also applies to the Finance and Administration team responsible for administering the income collection and debt recovery systems.

3. Income Collection Responsibilities

3.1 Separation of Duties:

The principle of separation of duties shall be observed where practical in the collection, recording, and banking of Council income.

3.2 As a minimum, separation of duties must be observed in:

- The collection and banking of income.
- The recording and reconciliation of that income.

3.3 Roles and Responsibilities:

- The Town Clerk is ultimately responsible for the collection of all accounts and sums due to the Council and is authorised to write off debts and overpayments up to £100.00.
- The Finance and Administration team is responsible for:
 - Setting up new customers on the sales ledger.
 - Ensuring accurate calculation and correct VAT treatment.
 - Promptly raising invoices and ensuring correct income coding.
 - Sending out reminder letters and coordinating recovery action.
 - Ensuring all cash, cheques, and card payments are properly collected, receipted, recorded, and banked promptly.
 - Accurately recording and reconciling all income.
- Administration Officers are responsible for raising debtor invoices and collecting income related to their specific areas in compliance with this policy and the Council's Financial Regulations.
- The Council is responsible for reviewing and approving all fees and charges for goods and services provided annually.

3.4 Handling of Payments:

- All cash, credit/debit cards, and cheques received at the Council Offices will be logged by the Administration Officer.
- Each cash or cheque payment will be receipted using the official Council receipt book.
- Payments will be recorded on a daily takings sheet and stored securely in a cash box prior to weekly banking by the Administration Officer.
- A bank paying-in slip will be completed and retained for all office bankings.

3.5 Specific Income Streams:

- Income from High Lea Hall will be securely collected and delivered to the Council Offices for receipt and processing by Administration staff.

- The Responsible Financial Officer (RFO) is responsible for ensuring that all external funding, including grants and the precept, is properly claimed, accurately recorded, and used solely for the intended purpose.

3.6 Income Reconciliation:

All income will be recorded on banking sheets, deposited with the Council's bank as soon as possible, and reconciled to the Council's bank accounts monthly.

If an overpayment is made to New Mills Town Council in error, the customer will be contacted to ask if they would prefer the overpaid amount to be deducted from future invoices or reimbursed via bank transfer.

4. Credit Control Procedure

New Mills Town Council will pursue all outstanding debts and overdue payments in line with the following procedure:

- **30-40 Days Overdue:** The debtor will receive a reminder via telephone or email.
- **50-60 Days Overdue:** The debtor will receive a formal reminder letter or email with a copy of the unpaid invoice.
- **60+ Days Overdue:** The debtor will receive a final letter informing them that unless payment is made, the Council may initiate legal action to recover the debt and withdraw any services provided.

All written communications will include a statement of account from the Council's financial system.

5. Write-Off of Bad Debts and Overpayments

New Mills Town Council will seek to minimize write-offs by using all reasonable means to recover outstanding sums. However, the Council recognizes that prompt and regular write-offs of irrecoverable debts are best practice.

Delegated Powers:

- The Town Clerk has the delegated authority to write off any debts or overpayments under £100.00 where recovery is impractical or uneconomical.
- The Council has the authority to write off debts over £100.00 following a report from the Responsible Financial Officer (RFO).

Write-Off Considerations: Before recommending a write-off, the RFO will consider:

- The cost of recovery against the amount owed.
- The likelihood of successful recovery.
- Whether correct credit control procedures were followed.
- Possible improvements to internal procedures to prevent future bad debts.

Write-Off Reporting Requirements: A write-off schedule will be submitted to the Council and will include the following:

- Customer reference and invoice number.
- Date and amount of the debt.
- Reason for write-off.
- Recovery attempts.
- Date and authorization of the write-off.

6. Debts Exceeding £100.00

Debts over £100.00 that remain unpaid after 80 days and have gone through the credit control process will be:

- Referred to the Council to determine further recovery action or write-off, or
- Submitted to legal representatives for further action.

7. Debts Arising Under Leases or Tenancy Agreements

Debts related to leases or tenancy agreements will be handled on a case-by-case basis. Alternative remedies (e.g., eviction or termination of agreements) will be considered before pursuing formal legal action.

8. Outstanding Debts of £1,000.00 or More

There is a presumption in favour of pursuing all debts exceeding £1,000.00 through formal legal proceedings. Such debts may only be written off by resolution of the Council, with each case reviewed on its own merit.

9. Policy Review

This policy will be reviewed biennially by the Council to ensure continued effectiveness and compliance with best practices.

V1 Drafted April 2025