

Appendix 'A'

**Income and Debt Management  
Policy, Processes and Responsibilities  
April 2015**

**Lancashire County Council  
Income and Debt Management  
Policy, Processes and Responsibilities (2015)**

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## **Lancashire County Council Income and Debt Management Policy (2015)**

### **1. Introduction**

- 1.1 Lancashire County Council exists to provide quality services to the people of Lancashire and strives to be as efficient and cost-effective as possible in doing so. Many of the services delivered are directly charged for or attract funding contributions from other parties.
- 1.2 Collecting all sums due quickly, efficiently and in full is fundamental to maintaining the financial health of the County Council, maximising the funding available for service delivery and fulfilling the County Council's obligation to protect public monies.
- 1.3 This policy will be reviewed during 2015 as new systems and processes are developed.

### **2. Policy Objectives**

- 2.1 The Income and Debt Management Policy sets out the standards to be applied and the approaches to be followed in managing income and debt.
- 2.2 The objective of the policy is to ensure all income due to the County Council is managed in a consistent, cost effective and timely way which maximises the value of income realised and minimises the value of bad debt encountered in providing services.

### **3. Policy Scope**

- 3.1 The Income and Debt Management Policy encompasses actions and procedures at each stage of the income cycle from initial charging policy through to debt collection, enforcement and write off actions.
- 3.2 The terms of the policy apply to all sums due to the County Council whether the debtor is an individual, a company or another external organisation.
- 3.3 The principles and procedures set out in this policy reflect roles and responsibilities which fall across a range of individuals including:
  - Staff providing services directly to customers.
  - Administrative and support staff – taking orders, raising invoices, resolving customer queries, receipting payments and maintaining customer accounts and records.
  - Specialist teams and agents - undertaking debt collection and legal action on behalf of the County Council.

### **4. Principles of Good Practice**

- 4.1 The County Council will adhere to the following principles of good practice in managing income and debt arising through the delivery of chargeable services:
  - Clear and coherent charging policies reviewed regularly and applied consistently.
  - Methods of making payment which are efficient, convenient and cost effective.
  - Prompt and accurate invoicing which supports swift and full payment.
  - Timely, appropriate and consistent debt collection and legal action.
  - Regular monitoring, early recognition and timely action on bad debts.

## **5. Charging Policies**

- 5.1 Lancashire County Council delivers a range of services for which it may charge the customer over a broad spectrum of statutory and discretionary charging arrangements. The County Council will ensure that the detailed basis upon which these chargeable services are offered is set out within a clear, specific and coherent charging policy. All fees and charges made by the County Council will be reviewed on an annual basis.
- 5.2 It is the responsibility of each Head of Service providing chargeable services to ensure an appropriate charging policy is in place and that it is compliant with the approach to income and debt management set out in this Policy.
- 5.3 As a minimum, all charging policies will include clear details of:
- The type(s) of chargeable service(s) to be delivered.
  - The basis upon which charges will be made for discrete services.
  - The fixed rate(s) payable (or the method of calculation where charges are variable).
  - The methods of payment available (see sections 6 and 7 below).
- 5.4 Charging policies will be easy to understand, cost effective to administer and enforced on a consistent basis. They will constitute the basis upon which customers are receiving services from the County Council and will be easily accessible and routinely shared with all customers seeking chargeable services.
- 5.5 The responsibility for ensuring charges are set, procedures are followed and payment is received in accordance with the charging policy rests with the Head of Service. The Head of Service is responsible for ensuring effective collaboration and co-operation between their staff and others involved in administering and collecting income and debt.
- 5.6 The charges made will recover the full cost of service delivery unless:
- The rate of charge is determined by statutory or other external guidance.
  - An explicitly agreed subsidy applies.
  - Delivery costs are being partially subsidised by alternative forms of funding.
- 5.7 All charging policies will be reviewed regularly (at least annually) to ensure rates of charge remain adequate and all other details remain accurate and up to date.

## **6. Payment Methods**

- 6.1 Lancashire County Council recognises the need to:
- Make it as easy and convenient as possible for customers to make payment for chargeable services.
  - Minimise the administrative and transactional costs associated with collecting income.
- 6.2 Customers will be offered a choice of modern, convenient and cost effective payment methods and will be supported and encouraged to use methods which deliver fast and efficient transactions with the minimum of administration.
- 6.3 Lancashire County Council's preferred method of payment is by Direct Debit. In all circumstances where Direct Debit is a viable method of payment it will be promoted and facilitated within local charging policies.

- 6.4 Whenever services are to be delivered on a continuing (repeat) basis, Direct Debit is to be considered a default method of payment which offers the customer and the County Council the advantages of speed, convenience, and low transactional cost.
- 6.5 Where customers are unable or unwilling to pay by Direct Debit they will be offered a choice of other payment methods including:
- Debit/credit card payment via telephone or internet.
  - Direct payment into the County Council's bank account (via Payzone, BACS, or over the counter at the bank or Post Office).
- 6.6 Payment will be accepted by cheque and cash where customers do not have the facility to pay by other methods.
- 6.7 The range of payment methods supported by the County Council will be monitored by the Head of Exchequer Services and recommendations for changes or additions to them will be made where new alternatives offer greater efficiency, economy or convenience.

## **7. Billing and Payment Arrangements**

- 7.1 The relationships that services build with their customers are central to successful income generation and are the foundation of good customer care.
- 7.2 Whenever practical, charging policies will favour payment in advance rather than in arrears. Payment in advance avoids the need to give credit and removes the potential for a debt to arise because the costs of service delivery are not incurred until after payment has been secured.
- 7.3 Whenever the County Council provides credit (by allowing payment in arrears on the raising of an invoice) there is the risk of a debt arising and additional costs associated with managing this risk which include:
- The administrative effort associated with raising customer accounts, inputting printing and posting invoices, monitoring receipts, issuing correspondence and contacting customers in pursuit of payment.
  - The expense of forfeiting income when debts arise which turn uncollectable (bad).
  - The fees and resourcing costs associated with debt collection and legal action to recover sums due.
- 7.4 Heads of Service should routinely seek to control the risk of debt by:
- Minimising the circumstances in which services are provided on credit.
  - Regularly monitoring the value, incidence and make-up of all debts facing their service.
  - Assessing whether there are viable alternatives to raising invoices in arrears.
- 7.5 Where a company or organisation is seeking to access discretionary services from the County Council for the first time (they are not an existing customer) departments should consider the appropriateness of reviewing their credit-worthiness before agreeing to provide discretionary services on credit. Requests for commercial credit checking should be directed to the Debt Manager (Exchequer Services) in the first instance.
- 7.6 No further discretionary services should be provided on credit to any client with an existing debt outstanding to the County Council. Providing the opportunity for a client to voluntarily increase the level of their indebtedness to the County Council is not in the



client's interests, not in the interests of the department providing a service, and not in the interests of the County Council as a whole.

## **8. Prompt and Accurate Billing**

- 8.1 An invoice **MUST** be raised in every case where payment for a chargeable service is due in arrears (after the receipt of the service).
- 8.2 The act of raising an invoice creates a formal record that chargeable services have been provided on credit and the recipient has a liability to make a payment to the County Council.
- 8.3 All invoices issued by Lancashire County Council must be raised within the Accounts Receivable module of Oracle Financials<sup>1</sup>.
- 8.4 All invoices must constitute a clear and unequivocal agreement to deliver defined services over a defined time period for a defined fee in order to form a reliable basis for enforcing payment should the need arise.
- 8.5 No invoice may be raised without:
  - Full and accurate information identifying the correct customer.
  - Adequate supporting information to substantiate the charge payable.
- 8.6 Invoices for one-off services must be raised within 7 days of services being delivered. The longer any amount due to the County Council is allowed to go unbilled, the greater the likelihood it will go unpaid. Income and debt collection activities are time critical.
- 8.7 Where services are being provided on a recurrent basis invoices should ordinarily reflect a monthly billing cycle or near equivalent.
- 8.8 Invoices may not be backdated. The invoice date records the commencement of the client's liability to make a payment to the County Council and must not be set retrospectively.
- 8.9 No invoice will be raised for a sum of less than £20 unless this is required for a logistical reason (such as the preparation of a final account for services that have ceased). In such cases a payment will be taken directly from the customer.
- 8.10 Where monthly billing would routinely result in invoices below £20 consideration may be given to consolidating payments over a reasonable longer time period to ensure an appropriate balance between the cost of raising an invoice and the timely receipt of any payment due.
- 8.11 Where the full costs payable by a customer are unclear (such as a social care service user awaiting the outcome of their financial assessment), interim invoices must be raised at a maximum interval of one month from the date of service delivery to ensure the total sum due (but remaining to be billed) is not allowed to escalate.

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<sup>1</sup> Under the Scheme for Financing Schools in Lancashire, a school has the power to issue its own invoices and determine its own policy and approach to debt recovery. Schools may use the SIMS Finance 6 Accounts Receivable module to raise their own invoices. Where schools request that the County Council raises invoices on their behalf, all invoices will be raised on Oracle and will be administered in accordance with the approach set out in the Income and Debt Management Policy (2015).

- 8.12 If the sum due for a one-off service or to settle a penalty, fine or charge is substantial, departments may offer customers the facility to pay by instalments provided that:
- No debt under £240 has a repayment period of more than 12 months.
  - No debt exceeding £240 has a repayment period of more than 12 months without prior consultation with the Debt Manager (Exchequer Services).

- 8.13 Customers accepting the additional facility to pay by instalments must agree to make all payments by Direct Debit.

## **9. Collection Principles**

- 9.1 The following principles of good practice apply to all staff involved in the collection of income due to the County Council.

- 9.2 Lancashire County Council:

- Accepts and will fulfil its responsibility to collect revenue effectively.
- Recognises that customers have a responsibility to pay for chargeable services.
- Will identify those who do not pay (or seek to delay payment) and take appropriate and timely action.
- Actively encourages contact at every stage of the collection and recovery process.
- Acknowledges the need to be sensitive and responsive to circumstances.
- Anticipates and plans appropriately for contact with vulnerable people.
- Acts responsibly, responds proportionately and conducts itself professionally in the course of seeking to maximise the value of income collected.

## **10. Customer Responsibilities**

- 10.1 Individuals and organisations receiving chargeable services from Lancashire County Council (or those representing service users who do so) are required to comply with the following principles of reasonable conduct:
- Invoices reflect a legal obligation to make payment and will be settled promptly as they fall due.
  - Guidance on how to make payments will be followed carefully to ensure any payments made can be accurately credited against the correct account.
  - Changes of address will be communicated in a timely way (in advance wherever possible).
  - Immediate contact will be made with the County Council if they believe the amount they have been charged is not correct or if they are facing financial difficulties.
  - Courtesy and respect will be shown to Lancashire County Council, its employees and its agents in the course of all dealings with them.
  - When requested to provide information connected with a liability owed to the County Council customers will support a frank, honest and open dialogue.

## **11. Income and Debt Collection**

- 11.1 The County Council will use detailed transactional records held within the Accounts Receivable module of Oracle Financials to co-ordinate the collection of overdue income as debt.
- 11.2 Every invoice raised within Accounts Receivable is a unique record of a liability owed to Lancashire County Council by a specific customer. Once raised, this liability can only be concluded in one of three ways:

- A. When payment is received into the County Council's bank account and is receipted against the invoice by Exchequer Services - the liability is recorded as **settled** and closed.
- B. When the invoice is recognised as having been raised incorrectly or in error and is **cancelled** on the authorisation of the Budget Holder or their nominee (via an action identified as a Credit Memo within Oracle).
- C. When the invoice is recognised as being uncollectable or uneconomic to collect and is formally **excused** as a bad debt on the authorisation of the Budget Holder (via an action identified as a Write Off within Oracle).
- 11.3 Until concluded in one of these ways, an invoice represents a liability owed to the County Council which requires continuing action to collect it. The specific action required and the responsibility for taking it will depend on the value and type of debt and the length of time it has been outstanding.
- 11.4 All actions taken by the County Council to collect debt reflect the need to treat customers fairly and consistently whilst recognising the demands and requirements of different service scenarios and diverse customer groups.
- 11.5 A clear distinction will be made between arrears owed for social care services and those owed for other services so as to recognise:
- The potentially vulnerable nature of individuals likely to be contacted in the pursuit of outstanding fees for care services.
  - The underlying duty of care towards individuals in difficult, complex and often highly emotive circumstances.
  - Approaches and safeguards prescribed within the Care Act 2014 and related legislation and guidance.
- 11.6 The recognition of sensitivities and vulnerabilities does not override the responsibility to collect revenue effectively; all debt collection will follow the clear principle that people have a responsibility to pay for chargeable services.
- 11.7 Strategies for collecting the debts owed by companies and other organisations and from individuals who are not identified as potentially vulnerable will follow a more assertive collection approach in line with the norms of commercial best practice.

## 12. Payment Terms

- 12.1 All invoices raised by Lancashire County Council are payable immediately – that is, payment is due from the customer as soon as they receive an invoice.
- 12.2 Technically, immediate payment terms mean that payment is outstanding from the customer as soon as an invoice is raised, but the County Council will not begin to take recovery action against unpaid invoices until the trigger points (number of days) have been reached that are detailed in Section 13 and 14 of this Policy.

## 13. Initial Collection Action

- 13.1 The first stage of the collection process will involve contact with the debtor by post via a series of reminder letters issued automatically at defined intervals. This collection process will initially be completed manually and will be automated from 12<sup>th</sup> June 2015



following the implementation of a new debt collection system. The days detailed below will be reviewed on a 6 monthly basis to ensure they are the correct intervals that enhance the probability of debt collection.

Initial Reminder Process

	<b>Individuals</b>
Day 1	Invoice Raised
Day 21	First Reminder Letter
Day 35	Urgent Reminder
	14 day response period
Day 49	Further action falls due (further collection action)

	<b>Companies and other Organisations</b>
Day 1	Invoice Raised
Day 14	First Reminder Letter
Day 28	Final Reminder
	14 day response period
Day 42	Further action falls due (further collection action)

- 13.2 The initial reminder process ensures early contact is made and maintained with all customers owing payment. Reminder letters will:
- Highlight and reinforce the requirement to pay.
  - Seek prompt settlement of the sum due.
  - Give information and guidance on how to make a payment.
  - Encourage immediate contact with the County Council to discuss financial difficulties or other issues preventing payment.
- 13.3 Where a client makes contact in response to receiving a reminder letter this is most likely to be direct with the department who provided the service. It is the responsibility of the person receiving the contact to work supportively with the customer to resolve any issues reported and to ensure Oracle reflects an accurate and up to date account of their liability to pay Lancashire County Council.
- 13.4 If an issue is reported which cannot be resolved immediately, the **person notified of the problem** is responsible for ensuring the relevant invoice is placed into the dispute process on Oracle.
- 13.5 The dispute process is a facility for temporarily suspending further collection action and provides the opportunity for a delivery department to work directly with their client to resolve an issue reported.
- 13.6 It is the joint responsibility of all parties in direct contact with customers (Service Departments, Administrative Teams, Exchequer Services, Debt Management, and Legal Services) to ensure Oracle Accounts Receivable continues to reflect a correct account of the client's liability to make payment to the County Council. Failure to do so

may lead to inappropriate debt collection action being undertaken which will compromise the relationship with the customer and leads to reputational risk.

- 13.7 Unless an invoice is either cancelled or recorded as being in dispute on Oracle it will continue to be treated in accordance with the County Council's standard approach to debt collection which will result in further actions being taken to collect sums due once the initial reminder period has concluded.

#### **14. Further Collection Action**

- 14.1 Invoices which remain unpaid at the conclusion of the initial reminder process will be categorised for further action according to their value and type.

- 14.2 Further collection action will reflect one of the following scenarios:

- Debts identified as appropriate for further action by debt collectors (£25 to £1,500).
- Debts identified as appropriate for immediate legal action (invoices over £1,500).

- 14.3 Debts identified as appropriate for further action by Debt Collectors (£25 to £1,500)

Further action will involve contact with the debtor to identify and resolve issues and to compel them to make payment in order to avoid the possibility (and costs) of legal action.

Debt collection activity will either be undertaken by in-house Debt Collectors (Exchequer Services) or via an external Debt Collection Agency (DCA) contracted to provide services to Lancashire County Council.

All cases identified as:

- requiring a detailed understanding of complex or sensitive circumstances,
  - likely to involve contact with vulnerable individuals,
  - requiring detailed "relationship management" to produce an outcome against multiple debts simultaneously,
- will be assigned to in-house Debt Collectors (within Exchequer Services).

All contact with debtors by in-house Debt Collectors will be by telephone, letter, or email. There will be no face to face contact unless this is merited by exceptional circumstances and has the prior agreement of the customer.

Currently debt collection by Debt Collection Agency (DCA) will be in accordance with a contract for services which sets a maximum debt placement period of 6 months. Debts not collected within this timeframe will be automatically referred back to the County Council.

Collection action by the Debt Collection Agency (DCA) may involve contact with the debtor by telephone, letter or in person.

Where action by DCA fails to produce payment and identifies no reasonable prospect of recovery, cases will be returned to the County Council.

Cases returned by DCA or which remain unpaid following further action by in-house Debt Collectors will enter a regular case review process designed to ensure:

- Debt cases without reasonable prospect of collection are recognised as uncollectable and written off to avoid cases being retained indefinitely without timely conclusion.

- Debt cases which merit further action will continue to receive appropriate follow-on activity in order to bring them to a conclusion.

#### 14.4 Debts identified as appropriate for immediate legal action (Debts over £1,500)

Where it is appropriate to take legal action as soon as the initial reminder phase has concluded, the debtor will receive a letter advising them of the County Council's intention to commence legal proceedings.

The letter before action will explain the urgency of making payment or contacting the Debt Management Team within 14 days to explain any mitigating circumstances.

Unpaid invoices not identified for cancellation or placed into dispute within this 14 day period will be referred for legal action.

All legal action to recover unpaid sums due to the County Council will be undertaken by Legal Services.

The referral of a case for legal action will trigger the commencement of direct contact between Legal Services and the service in order to establish all relevant information about the case.

Service departments are responsible for working co-operatively and collaboratively with Legal Services in the course of any legal proceedings undertaken on their behalf. Heads of Service are responsible for ensuring staff are available to respond to requests for information in a timely way and to provide any other practical support required.

### 15. Legal Action

15.1 Where legal action has been threatened but the debt remains unpaid court proceedings will be issued for recovery as the Director of Legal and Democratic Services considers appropriate unless:

- It is inappropriate to take legal action due to the nature and circumstances of the case;
- There is incomplete or insufficient information to substantiate the customer's liability to make a payment;
- A liquidator (company) or a receiver (individual) has been appointed and there is no prospect of recovering the debt; and
- Legal action will not be cost effective.

If any of the above criteria are applicable to the outstanding debt then the case will be reviewed for an alternative debt recovery strategy by the Debt Management Team.

15.2 Alternative action will either involve the debt being assigned to a Debt Collector for further action or will produce the recommendation that the debt should be recognised as uncollectible and written off as bad.

### 16. Enforcement Action

16.1 Where legal action is successful but the defendant fails to comply with the terms of the court judgement, Legal Services will consider the most suitable method of debt enforcement from the following options available:

- A **warrant of execution** which empowers a County Court bailiff to attend a debtor's address to take goods to sell at a public auction

- A **third party debt order** which ensures money which would otherwise be paid to the debtor by a third party is paid direct to the County Council as their creditor
- An **attachment of earnings order** under which a debtor who is in paid employment may have money deducted directly from their wages under an instruction issued to their employer
- A **charging order** which turns an unsecured debt into a secured one by placing a legal charge on the debtor's property (usually their home) to the value of the debt owed plus interest. If the property is sold the full amount of the charge is payable to the County Council before any proceeds from the sale pass to the debtor.

## 17. Charging of Interest

- 17.1 The County Council is entitled to charge additional interest for late payment on certain types of debt.
- 17.2 As allowed for under the legislation, late payment interest will be charged on all debts which proceed to legal action. The interest due will be calculated and added to the total liability for which a court judgement or enforcement order is being sought on behalf of Lancashire County Council.

## 18. Customers Experiencing Financial Difficulties

- 18.1 The County Council will manage debts in a reasonable and sensitive manner, actively encouraging those experiencing payment difficulties to make contact as soon as possible for support and advice.
- 18.2 Where appropriate, customers who are unable to afford the full amount due from them will be offered a repayment arrangement which provides the facility to settle their debt by instalments over a defined period.
- 18.3 All instalment agreements to settle debts which have already been raised and which are therefore in arrears must be arranged by and through the Debt Management Team (Exchequer Services).
- 18.4 The County Council will only offer repayment arrangements to customers who agree to provide details of their income and expenditure as the basis for making an assessment of their reasonable ability to afford to make payments.
- 18.5 Where a customer refuses to divulge information essential for assessing their ability to make regular repayments no repayment agreement will be entered into and the full amount of the liability owed to the County Council will continue to be immediately payable.
- 18.6 Arrangements to pay by instalments will usually reflect a maximum repayment period of twelve months. Where exceptional circumstances warrant a longer repayment period the Debt Management Team will liaise with the appropriate Head of Service before formally reaching an agreement with the debtor.
- 18.7 Customers offered the additional facility to repay a debt by instalments must agree to make all repayments by Direct Debit.

## 19. Write Off

- 19.1 Where a debt case has exhausted collection efforts or has no reasonable prospect of economic recovery it will be recognised as a bad debt and written off.
- 19.2 Income and debt management actions are time critical. Failure to recognise and conclude debt cases which have turned bad continues to exert pressure on the administrative and specialist resources dedicated to debt collection. Resources are far better targeted at newer debt cases where a realistic potential for payment to be recovered still remains.
- 19.3 The responsibility for ensuring that any debts affecting their budget are being regularly monitored to identify cases appropriate for write off resides with the Head of Service.
- 19.4 All write off will be undertaken in accordance with Financial Regulations/the Scheme of Delegation to Chief Officers as follows:
- 1.31 Excusal of Debt*
- (a) To write off, in consultation with the County Secretary and Solicitor debts of up to a limit of £12,000 in any one case.*
- (b) To approve the writing off of the appropriate amount of debt where the debtor is a Company in liquidation and the Liquidator or Receiver has confirmed that there are insufficient assets to pay the outstanding debts due to the County Council in full or in part.*
- 19.5 The excusal of debts over £12,000 requires Cabinet Member approval. All such cases must be discussed in advance with the Debt Manager (Exchequer Services). This approval limit is to be reviewed during 2015/16 and likely to be increased.

## **20. Invoices Containing VAT (Write Off)**

- 20.1 There are additional requirements and considerations where an invoice to be recognised and written off as a bad debt contains VAT.
- 20.2 Under VAT regulations, no invoice containing VAT can be written off before it is 6 months old. Beyond this threshold, as part of formally writing off an invoice as a bad debt the County Council may retrospectively reclaim the VAT it accounted for when the invoice was raised.
- 20.3 An invoice containing VAT must be written off within a maximum period of 4 years and 6 months from the date it was issued for any VAT to be reclaimed retrospectively.

## **21. Costs and Charges**

- 21.1 Additional costs are incurred by the County Council when arrears of income fall to be managed as debts.
- 21.2 The costs incurred in undertaking dedicated debt collection and legal action on behalf of departments delivering chargeable services will be met directly by departmental budgets wherever costs incurred relate to individual cases (for example, when the DCA is due a fee as a % of the amount recovered) and reflect a proportion of the volume and value of cases handled where charges reflect a share of wider costs.
- 21.3 At the point a debt is written off as bad the income credited when the invoice was raised is forfeit, which leads to an immediate expense or charge. To smooth the impact of charges on the current year revenue budget an adequate provision against bad debts is required to be maintained.



- 21.4 Bad debt provisions reflect a prudent "saving up" for the likely future costs of debts falling to be written off as bad. Provisions are funded by setting aside monies in advance to offset the financial impact felt when a debt is physically written off. Adjustments and additions are required to ensure the provision reflects a true picture of the bad debts likely to materialise from the population of invoices which have been raised but remain unpaid.
- 21.5 As part of regular budget monitoring activity Heads of Service are responsible (with support and advice from Finance) for ensuring adequate planning and provision for the costs faced in managing and writing off the debts incurred in the course of delivering chargeable services.

## **22. Payroll Overpayments**

- 22.1 Payments made to employees are occasionally paid in error and need to be recovered. It is within each employee's contract with the County Council that if an overpayment is made the amount must be paid back.
- 22.2 When an overpayment has been to a current employee it is the responsibility of the Head of Service to agree a repayment plan with the employee and communicate this to BTLS Payroll Services. This amount will then be recovered through a payroll deduction. The repayment plan should not exceed 12 months.
- 22.3 If an overpayment is made to a current employee but agreement cannot be reached in relation to a repayment plan the matter is referred to the Debt Manager. The employee will be requested to complete an income and assessment form which will be assessed to national standards by the Debt Management Team and generate a final suggested repayment plan.
- 22.4 If an employee has received an overpayment and has left employment with the County Council it is the responsibility of the Head of Service in partnership with BTLS Payroll Services to raise an invoice for the overpaid amount. This debt will then be pursued in line with the processes detailed in this Policy.

## **23. Performance Monitoring and Reporting**

- 23.1 Oracle Accounts Receivable will be the single source of data relied upon for monitoring the overall debt position of the County Council.
- 23.2 The Debt Manager (Exchequer Services) will be the authoritative source of any information produced for Management Team for the purposes of reporting on the debt position of the County Council as a whole.
- 23.3 Collection trends will be monitored in order to identify the strategies which maximise the income collected across the different types of debt faced by the County Council and to ensure that the finite resources the County Council has available for debt collection are being utilised to optimum effect.

## **24. Responsibilities for Effective Income and Debt Management**

- 24.1 The key responsibilities recognised under this policy may be summarised as follows:

### Heads of Service

As the senior managers within departments earning income from chargeable services, Heads of Service are directly responsible for all those aspects of effective income and debt management which occur prior to service delivery and until invoices have concluded the initial reminder phase. From this point they will ensure support and co-operation for any debt collection and legal action which takes place.

Heads of Services will ensure that the management and monitoring of income receives the same level of attention and rigour as the control of expenditure and that the standards and procedures set out in this policy are complied with in full.

In their capacity as Budget Holders, Heads of Service will regularly review the debt position of their service(s) in order to:

- Understand the age profile and status of invoices raised but not yet paid.
- Take appropriate actions to resolve issues and prevent debt escalation.
- Plan for the costs associated with debt collection and bad debt.
- Recognise and write off bad debts in an appropriate and timely way.

Heads of Service will ensure the staff under their direct management adopt the principles of good practice set out within this policy and provide practical support to other staff and departments (Debt Management, Customer Services, Exchequer Services and Legal Services) engaged in collecting sums due to the County Council.

#### Debt Manager (Exchequer Services)

The Debt Manager will oversee an efficient and resource conscious collection process which maximises the functionality available from Oracle Financials and other IT for:

- Automating collection actions.
- Differentiating between debt types to target collection action specifically.
- Producing regular, accurate and insightful analysis for reporting purposes and in order to plan collection priorities.

The Debt Manager will regularly review the debt collection strategies in use and the rate of collection being achieved from different approaches in order to utilise those which maximise the overall rate of income recovery.

The Debt Manager will oversee and manage the County Council's contract with an external Debt Collection Agency.

Decisions which fall to be made at the discretion of or with the authorisation of the Debt Manager will follow a standard approach which ensures they are timely, objective, transparent, and fair to both the department providing the service and the party owing arrears to the County Council.

#### Legal Services

Legal Services will manage all legal action undertaken on behalf of Lancashire County Council.

Actions will be taken in a timely, consistent and efficient way designed to maximise early recovery and achieve a high rate of success.

Legal Services staff will work directly with service departments to establish the specific circumstances of each case referred for legal action. They will identify any

circumstances or legislation/regulations influencing the cost or likelihood of success from legal action and will give advice to this effect before legal action proceeds.

Where the County Council is entitled to claim interest on the late payment of any debt referred for legal action, interest will be calculated and added to the debt for which court judgement is sought as allowed for under relevant legislation and guidance.

Monitoring information will be produced on the incidence, cost and success rate of cases referred for legal action for inclusion within performance reports prepared for Management Team by the Debt Manager. Monitoring information will inform a continuing review of the efficacy of legal action compared with other collection options and consideration of the case value threshold being applied for taking legal action.