

# **Ash Parish Council**

## **DEBTORS AND CREDITORS MANAGEMENT POLICY**

**Adopted by Ash Parish Council: 11 November 2019**

**Review Date: 11 November 2022**

## **DEBTORS AND CREDITORS MANAGEMENT POLICY**

### **1. Introduction**

This policy outlines Ash Parish Council's procedures for dealing with late payments and outstanding accounts (bad debts) in accordance with the Financial Regulations.

The aim of this policy is to make clear the procedure that Ash Parish Council will follow to identify, minimise and recover potential bad debts and write off any debts which cannot be recovered.

It also covers the process to be followed when ensure creditors are in receipt of payments.

### **2. Debtors Management**

All income due will be collected in accordance with Financial Regulations and any sums found to be irrecoverable or any subsequent bad debts shall be reported to the Amenities, Finance & Administration Committee.

Unpaid income and bad debts shall be treated in the following manner:

- i. Invoices which remain unpaid after 30 days will receive a telephone call or email reminding the customer that the invoice remains unpaid.
- ii. Invoices which remain unpaid after 45 days will receive a letter reminding the customer that the invoice remains unpaid.
- iii. Invoices which remain unpaid after 60 days will receive a letter reminding the customer that the invoice remains unpaid and that all of the Councils' financial information, including bad debts, is reported to Council. Arrangements for mutually acceptable instalment payments will be considered on a case by case basis.
- iv. Invoices which remain unpaid after 90 days will receive a letter reminding the customer that the invoice remains unpaid and notifying them of the withdrawal of the service provided. This letter will also include a statement that Ash Parish Council will actively pursue all outstanding debts through the legal system and use of a bailiff.
- v. All letters will be accompanied by a statement of account from the Council's financial system.

### **3. Legal Proceedings**

Ash Parish Council will seek to minimise the cost of write-offs by taking all necessary action to recover what is due. Debts will be subject to all reasonable legal procedures through the small claims court.

### **4. Use of Bailiffs**

Ash Parish Council will also consider the use of a bailiff service to collect all outstanding amounts owed. The Enforcement Agents would act on behalf of the Council to recover the debt, whether this is by arrangement or by removing goods and selling them at auction.

## **5. Writing Off Bad Debts**

Ash Parish Council recognises that where a debt is irrecoverable, prompt and regular write off of such debts is good practice. Writing off bad debts is a non-routine function; all practical means should be taken to recover outstanding amounts due to the Council before the Clerk recommends writing off a bad debt to the Amenities, Finance and Administration Committee. Before this decision is made, due diligence consideration should include the following:

- i. The cost of recovery against the amount owed.
- ii. The likelihood of success.
- iii. Where the correct debt management procedures followed.
- iv. Could procedure and practices be improved.

Any debts to be written off should be reported in the form of a write off schedule to the Amenities, Finance and Administration Committee, who have delegated powers to write off bad debts of up to £3,000; any larger debts must be reported to Full Council. The write off schedule should contain the following information:

- i. Customer Reference
- ii. Invoice number
- iii. Date of invoice
- iv. Amount of debt
- v. Reason for write off
- vi. Recovery history
- vii. Date of write off
- viii. Authorisation of write off

The Clerk should ensure any bad debts and doubtful debts are correctly accounted for at year end.

## **6. Creditors Management**

Ash Parish Council has traditionally paid the majority of creditors by cheque. In future where possible, creditors will be paid by BACS and where authorised (at each May Council meeting) creditors can be paid by Direct Debit.

Any cheques that are not banked within three months of issue will be followed up by contacting the creditor concerned to remind them to cash the cheque at their earliest convenience.

If a creditor claims never to have received a cheque through the post, the cheque can be stopped at the bank and re-issued, only once the Clerk has checked that it has not been presented to the Ash Parish Council bank.

After five months the creditor will be advised that the cheque will be cancelled on the six month anniversary of the date of issue and thereafter, the creditor may forfeit the right for replacement payment.