

# Ash Parish Council



## Debtors & Creditors Management Policy

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## **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 ensuring 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.
- vi. A sales ledger aged account balances shall be submitted quarterly (July, Oct, Jan April), by the RFO to the Amenities, Finance and Administration Committee.

### **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 RFO 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 RFO should ensure any bad debts and doubtful debts are correctly accounted for at year end.

#### **6. Creditors Management**

Ash Parish Council will pay all creditors by BACS or CHAPS and where authorised (at each May Council meeting) creditors can be paid by Direct Debit.

All payments are authorised on the payment slips by signatures from two Councillors for BACS/CHAPS payments, and a two signatures/initialling of Direct Debit payments.

A Payment listing will be produced and reported to Council on a monthly basis, all payments over £100 are to be advertised on the Ash Parish Council website.

A purchase ledger aged account balances shall be summited quarterly (July, Oct, Jan April ), by the Clerk to the Amenities, Finance and Administration Committee.