



# Flitwick Town Council Debt Management Policy

## Statement of Policy

Flitwick Town Council (FTC) is committed to ensuring all owed monies are recovered from customers timely and responsibly, in a manner which maintains the reputation of the Council.

## Background

The requirement for a robust debt management process has been identified to help prevent outstanding debt reaching an unacceptable level. Aged debt will be managed regularly and incorporate into the routine workings of the Bookings Team, Accounts Team, RFO and Business Services Committee.

The debt recovery process should be fair, respectful, and professional and operate within the terms of this policy. Consideration should be given to individual circumstances e.g. where payment plans are put into place.

## Policy Objectives

The aim of this policy is to identify the process by which FTC will recover aged debt and where required, write off bad debt which cannot be achieved.

## Scope of this policy

The scope incorporates all customers of FTC whereby monies are due for services provided. This includes all FTC tenants, corporate users of FTC facilities, customers booking functions, training and all other customers making use of facilities and/or FTC services.

## Communication of Debt

A regular report will be submitted by the Accounts Team to Business Services Committee indicating all overdue unpaid invoices.

The report will show the current status of unpaid invoices and customer accounts, along with actions taken to recover monies due. The report will highlight any potential 'bad debt' and/or areas of concern for consideration by the Business Services Committee.

## Credit Control Process

All monies due will be collected in accordance with the Financial Regulations applying the following timelines:

- As a standard, invoices will be issued with a 30 day payment term. Tenants' leases will detail payment terms alongside individual invoices.

- All invoices will include the statement “Please be aware charges may apply if payment is not received within 30 days of the date of this invoice.”

- Stage 1: Invoices unpaid after 30 days will receive a phone call or email (appendix 1) reminding the customer to pay to avoid potential charges.
- Stage 2: Invoices unpaid after 45 days will receive a statement via post and/or email with further reminder for payment.
- Stage 3: Invoices unpaid after 60 days will receive a payment reminder letter (appendix 2) outlining charges to be applied if payment is not received.
- Stage 4: Invoices unpaid after 90 days will receive a late payment charges in the form of a letter (appendix 3) and invoice outlining the interest charges applied (see below charging structure), notice of potential withdrawal of FTC services. All charges will be backdated to 31+ days.
- Stage 5: From this point, all bad debt will be managed case by case resulting in either legal action or ‘writing off’ of bad debt (see below).

## Charging Structure

Late payment fees will take the form of daily interest charges if an invoice remains unpaid after the expiry of the 30 day payment term.

### Considerations

- Be practical and fair to the customer when settling the debt.
- Be consistent and transparent in application of charges
- Officer and Counsellor discretion is required at each stage of debt recovery to maintain the reputation of FTC.
- Ensure the credit control process has been applied to provide ample opportunity for payment
- All charges will be applied within the scope of HMRC guidelines, legislation and statutory rights for public sector business transactions.

Charges will be delivered on a separate invoice on the gross amount due using the following calculation:

- Multiply the amount owed by the bank of England base rate plus 8%  
Calculate daily interest by dividing annual interest by 365 day per year:  
Multiply the daily interest charge by number of days overdue (backdated to 31+ days):

Example      Debt = £2,000 x (0.5% plus 8%) 8.5% = £170  
£170 / 365 = £0.47 daily interest charge  
£0.47 x 90 days overdue = **£42.30** late payment charge.

- VAT is outside the scope for all late payment charges.
- Calculations will be verified via [www.smallbusinesscommissioner.gov.uk/calculator](http://www.smallbusinesscommissioner.gov.uk/calculator)

## **Process to Write off Bad Debt**

FTC will seek to minimise the cost of bad debts written off by taking all necessary actions to recover monies due. It is accepted that prompt and regular bad debt write off is good practice.

Where debt is deemed irrecoverable (stage 5+) a report will be submitted to Business Services Committee detailing due diligence consideration including:

- Potential costs of recovery against the amount owed, including staff time.
- Likelihood of success
- Outline of credit control process followed
- RFO recommendation

Approval for writing off bad debt can be provided by Business Services Committee within the scope of its Terms of Reference.

All 'write offs' should be completed in collaboration with the accountant via the RFO and Senior Finance Officer, ensuring all bad debts and write offs are accounted for at Year End.