SCOPE OF POLICY

This policy is relevant to all projects and services within the Age UK North Tyneside Group and, defines the purpose and details of the Groups policy and procedure with respect to Debt Management.

All projects and or services have a responsibility to ensure that all income due to the Group is recoverable. Therefore the principle guidelines outlined in this document should be incorporated into the working practices of each project and or service.

Follow-up procedures and supporting policy statements are to be applied and enforced, effectively where appropriate.

Authorised by:

Alma Caldwell
Group Chief Executive
POLICY STATEMENT

A Debtors Policy is a fundamental element of the overall strategic plan integral to the budget and financial projections, and is essential to sustain the Group long term.

1. IN PRINCIPAL

1.1 We must exercise discretion and apply the policy with common sense and consistency. Staff will be responsible for identifying situations where the strict application of the policy would lead to an inappropriate result, for example where it would be inconsistent with this policy, unjust or unreasonable. In such cases, the matter is to be referred to the Deputy Chief Executive for further guidance.

1.2 We will ensure all debt is managed, inclusive of debts by virtue of a service level agreement, contract or grant ensuring they are adequately monitored, reported and controlled.

1.3 Wherever possible we may increase the level of compliance in the payment of debt by limiting the total value of debt, the number of debtors and ageing of debt outstanding.

1.4 The key principles of debt management are the early detection, reporting and pursuit of all debt.

1.5 We will maximise debt resolution by the pursuit of debt in a sensible, cost efficient, effective and timely manner.

2. SUMMARY OF OBJECTIVES & PROCEDURE

2.1 The Finance Team are required to ensure that all debtors’ accounts/invoices issued, are for sums properly due only. If there is any doubt over the legality of the account this should be brought to the attention of your Senior Manager, who may discuss this with the Head of Finance.

2.2 Should a Head of Service become aware at any point in time that a service user / customer has terminated their service, the Head of Finance should be informed immediately. The Head of Finance will check the account to ensure that a note is made should any balance be outstanding or if a final invoice has yet to be issued. Thus ensuring the status of the account is kept up to date.
2.3 The authorised member of the Finance Team will create a new customer account in Sage Accounts in the first instance having been assured by the Head of Service that the relevant contract or agreement, depending on the service that will be provided, has been signed and therefore a commitment to the financial terms has also been agreed.

2.4 It is the responsibility of the Head of Service to provide and ensure that the information for a new customer is complete for the Finance Team to create a new customer account in the Sage Accounts Debtors System. Even where an invoice is raised from an approved alternative interface (CHAFFS) the customer account **without exception** is created on Sage Accounts in the first instance.

2.5 Head of Services should inform the Finance Team should customer Translation Services be required, as these will be provided to customers who require their invoice or recovery document translated into an ethnic language.

2.6 Where the contract/agreement is a Service Level Agreement (SLA) similar to, or a Grant, it is the responsibility of the Head of Service to ensure a Confirmation of Income / Grant Form Ref. No. AUKNT080 is completed and a copy of the signed agreement from the client/funder is forwarded to finance immediately for their records.

   It is within the Confirmation of Income/Grant Form that the Head of Service alerts the Finance Team to:
   - How the income will be received and therefore the arrangements, and if an invoice is required.

2.7 Where appropriate, invoices and Statements of Account are issued efficiently and promptly.

2.8 A Statement of Account should be issued promptly on ALL customer accounts where amounts are due.

2.9 Customers / clients should be contacted wherever possible, as soon as the account falls into arrears. Debtors are to be chased promptly on a weekly basis either by telephone and or in writing. A letter should be sent out regarding an outstanding amount along with a Statement of Account followed up by a telephone call.

2.10 Staff should have due regard that sums below £200 are not considered practicable or economic to pursue via legal action. It is acknowledged however, that based on current services provided there is a need to raise invoices for smaller sums.
2.11 Where these accounts are customary the credit limit should reflect the average value of an invoice which will indicate when amounts are overdue and facilitate the monitoring of outstanding accounts.

2.12 All debts due must still be pursued and collected. The sums due must be recovered in a cost effective and resourceful manner, for example, offering alternative methods of payment and or suggest a manageable option - Standing Order or Recurring Payment particularly where the amount due is often less than £20.

2.13 Where a customer account consistently falls overdue or the customer is unable to settle the account in full by the due date, Finance should make the relevant Head of Service aware of this, before further or additional service/s are provided. With respect to the latter where there is an amount overdue, payment should be made for the overdue amount within 5 working days to secure a future service.

2.14 An initial check of the invoices overdue or outstanding on account that are not yet paid must be discussed with the customer and full payment received or - a payment arrangement agreed and secured with the knowledge and support of the Head of Service wherever applicable.

2.15 Both the request from the customer wishing to request and propose an alternative payment plan and the payment plan itself setting out the instalment amounts must be made in writing to the Deputy Chief Executive. It is the Deputy Chief Executive who has the authority to accept or decline the request. In all instances the repayment period will be considered for the shortest term possible.

2.16 Interest will be charged at 3% above Barclays Base Rate on the value of the invoice/s overdue in line with the payment terms agreed. The customer is informed of this within the footnote of each invoice issued from the Sage Accounts system. If the invoice has been generated from an alternative interface the customer will be informed by the footnote on the statement. However any exception to this will be as stated within the contract or agreement relevant to the customer. Interest charges are to be applied after no response to the second Debtors Letter.

2.17 If the Group has agreed to a payment plan then the customer will not be charged interest, unless the customer defaults on this arrangement, then interest is to be applied immediately on the same basis as before.
CUSTOMER ACCOUNTS / INVOICING

3.1 All Customer Accounts are required to detail in full:

- **Title**
  Forename & surname of the customer/debtor preceding the address within the ‘registered address field’. It will follow that the invoice will be for this person’s attention as budget holder or to authorise payment of said invoice.

- **Address**
  Contact details of person/s department taking responsibility for the account, where applicable, where this may also differ from the person receiving the invoice. This includes all relevant information of a relative or person/s assisting a customer / service user with their finances.

- The Supporting Contract or knowledge that the relevant contract has been signed and held on site (with respect to tenants this may be the Extra Care Housing Scheme tenants and Private Service Users in the community this will be the Care at Home office filing system). The payment terms will be determined and a credit limit applied to the customer account by the Head of Finance.

- Incomplete, out of date or absence of a signed contract or agreement may delay payment or it may not be possible to recover the debt. Furthermore;

- It is the responsibility of the Head of Service or delegated person wherever relevant, to ensure that where there is a price increase or changes to terms, that a new contract is signed in acceptance of the changes and the Finance Team are informed.

- If a Manager becomes aware of any change in the responsibility of the finances for a private customer / service user, the Finance Team must be informed immediately. For example should a relative or agreed person be appointed Power of Attorney. This person will therefore be the person finance need to contact with respect to the customer / service users’ account

- Debtors will be given a reasonable time to make payment and this will be reflected in the agreed payment terms for each Debtor respectively. Payment is due within the specified number of days of issue as stated on the invoice along with :

  - Date(s) service/s provided
  - Details of service/s provided
• The preferred payment options, cheque payable to Age UK North Tyneside and the bank details for this project
• VAT is not applicable as the organisations within the Group are VAT registered. The Finance Team will however continue to monitor income which would attract VAT in relation to the VAT threshold.
• The Finance Team are required to keep appropriate supporting records and documentation in respect of each invoice raised and any related transactions. These are essential to meet audit requirements and for any recovery action through court proceedings.
• Where a customer has not received an original invoice, or requires a copy, a duplicate invoice can be reissued but only by the Finance Team who will date, stamp and sign as a ‘True & Certified Copy’. A note will be made on the customer account that a copy has been issued.

4. GRANTS, EXCEPTIONAL FUNDERS OR SERVICE LEVEL AGREEMENTS OR CONTRACTS WHERE NO INVOICE IS ISSUED / REQUIRED

4.1 Although there is no invoice, terms of payment are still agreed and contained within the contents of the documentation provided by the funder or contractor. This relevant information is summarised on the Confirmation of Income & Grant Form as stated in 2.5 of this policy.

4.2 The Head of Finance via the Deputy Chief Executive will be informed of new funding in particular that funding or contract at the level approved by the Chief Executive. (ref. Section 27 of the Financial Regulations ref. Grant and Funding with respect to authorisation levels required by the Chief Executive in the first instance).

4.3 Funding or contracts within these levels must be made known to the Deputy Chief Executive who will inform the Head of Finance. The Head of Finance will request that the relevant Head of Service completes the Confirmation of Income / Grant Form along with a copy of the funder’s document or summarised contract whichever is relevant.
4.4 The Head of Finance will record the information on the Confirmation of Income / Grant Form on the Finance - Income Schedule for the financial year to which this funding relates. The amounts and when these are due are as stated and it is this that the Head of Finance will adhere to with respect to the monitoring of this income. When this income is overdue section 6.6 of this policy is applies.

5. CREDIT NOTES

5.1 An employee who raises an invoice cannot issue a credit note/cancellation for the same account. An employee who is independent of the person raising the account must authorise the issue of a credit note/cancellation. This would primarily be either the Deputy Chief Executive or delegated to the Head of Finance.

5.2 However a Credit Note > £500 must be authorised by Deputy Chief Executive

5.3 The Head of Finance would complete a ‘Credit Note Request / Authorisation Form FIN011’ which must provide the details and reason for the credit / cancellation of the service invoice. This must then be signed off by the relevant Head of Service before the authorised person signs off and the credit processed.

5.4 The credit note must not be issued for a higher amount than the original invoice.

5.5 The Finance Team are required to keep appropriate supporting records and back up documentation in respect of each credit note / cancellation.

6. DEBTORS OUSTANDING, OVERDUE ACCOUNTS AND PROCEDURE

6.1 All Debtor Accounts will be updated promptly, within 3 working days of payments being received and banked. (ref. Section 9.1 Banking & Custody Procedures - Incoming receipts are banked intact, promptly and regularly, at least weekly).

6.2 Statements of Account are to be issued for ALL Debtors in accordance with the payment terms should invoices or balances be outstanding within the confines of the payment terms.

6.3 Where the Head of Finance identifies or is experiencing a problem with the collection of an account, the Project/Service to which the customer relates should be informed.
The Head of Service will support the Head of Finance to decide if any further appropriate action is to be taken to secure payment of the debt and that will prevent the same customer/debtor accruing further debt.

6.4 The Group has the authority under, **The Late Payment of Commercial Debts Regulations**, to charge interest on outstanding accounts and to claim recovery costs, but this in the main applies to a commercial entity.

6.5 At the end of each calendar month the Finance Officer will produce a Debtors Analysis Report of debtor balances and submit to the Head of Finance. Based on the overdue number of days, outstanding balances will be highlighted with a comment on the status of the overdue account along with a summarised explanation. Where there are ongoing issues or uncertainty with respect to a customer account and or overdue balance due, the Finance Officer should provide a detailed report and update the Head of Finance on a weekly basis.

6.6 Where an invoice/s or balance on account remains unpaid after the specified payment due date, the debtor will receive a phone call from the Finance Officer in the first instance. Thereafter the following procedure should be followed:

- **First Debtors Letter** in support of a telephone call requesting payment along with a statement of account and copy invoice/s. (Signed by Head of Finance)
- **Second Debtors Letter** should be sent if the account remains outstanding for a further 5 working days. (Signed by Head of Finance)
- **Third Debtors Letter** should be sent if the account remains outstanding for a further 5 working days. (Signed by Head of Finance)
- **Fourth Debtors Letter** should be sent if the account remains outstanding for a further 5 working days. (Signed by Deputy Chief Executive)
- **Fifth Debtors Letter** should be sent if the account remains outstanding for a further 5 working days. Notification of pending legal proceedings. (Signed by Deputy Chief Executive)
6.7 A record of all correspondence and a summary of the verbal discussion regarding the account should be logged on the Credit Control field within the customer’s account on SAGE Accounts.

6.8 If any debt is unreasonable or has been outstanding for a considerable length of time the Head of Finance should inform the Deputy Chief Executive. An update on the process thus far should be given.

7. BAD DEBT PROVISION

7.1 As stated in the scope of this Policy, Finance and Projects/Services have joint responsibility to ensure that all income due is recovered and recoverable.

7.2 At each quarter-end and the end of the each financial year the Head of Finance will review overdue / outstanding balances based on the aged debtor’s analysis of debts by Project/Service.

7.3 The likelihood of collecting these debts will be assessed based on previous experience.

7.4 The result is either a decrease or an increase in the provision of this debt and will be reflected in Project/Service accounts.

8. DISPUTED ACCOUNTS & POSTPONEMENT OF FOLLOW-UP PROCEDURE

8.1 Prompt query resolution is an essential part of having an effective debt collection system and procedure. The longer a debt remains unpaid the greater the risk that it will never be paid.

8.2 The postponement of follow up procedures will only be granted on receipt of a written request from a Head of Service within the Project/Service to which a customer account relates. (Email will be sufficient) The request must be put to the Head of Finance and state the reason for the postponement and the anticipated time required to resolve the issue. The Head of Finance will discuss with the Deputy Chief Executive and if authorisation is granted to postpone follow up procedure of an account then:

8.3 The Account will be suspended for a maximum of 60 days.

8.4 If disputes are not resolved within 60 days, then the Project/Service must make a second request to postpone the account. Disputes must be resolved as quickly as possible.
8.5 The Finance Officer will regularly review suspended accounts keeping the Head of Finance informed of progress.

9. CUSTOMER LETTERS OF COMPLAINT

9.1 When the Finance Team receive a letter of complaint from a customer, the following procedure is to be applied:

- Complete the AUK004 form on receipt of a verbal complaint and forward it to the Head of Quality & Performance along with any supporting documentation.
- Email or letter of complaint must be sent to the Head of Quality & Performance to inform her of the complaint and send the original documents in internal mail.
- Report the complaint by email the day it is received and forward any documentation by internal mail the same working day too.
- As a minimum if available the email details should include:
  1. Date of Complaint
  2. Name, Address, email address and telephone number of the complainant
  3. Name of staff who is reporting the complaint
  4. Brief overview of the nature of the complaint
  5. The AUK004 form if the complaint is received verbally should be completed fully with a full description of the complaint
- On receipt of the email and any supporting documentation the Head of Quality & Performance who will review and complete appropriate sections of the AUK004 form (if relevant) and then update the Complaints Register.
- Within the next working day of notification of the complaint the Head of Quality & Performance will review the complaint and if necessary discuss with the relevant Head of Service and will appoint someone to investigate the complaint fully and impartially if required.
- An acknowledgement letter will be sent out within 48 hours from the Head of Quality & Performance to the complainant acknowledging receipt of their complaint and informing them that an Investigation (if relevant) will be carried out.
• If the complaint can be answered without further investigation the Head of Quality & Performance will respond to the complainant having discussed the issue if necessary with the Head of Service.
• The outcome of the investigation or response is logged on the Complaints Register and the complaint is closed after 7 days if no further correspondence received.

It must be noted that if it is a financial complaint from a customer then the customer account may be placed on hold for 10 days or until the investigation is complete, whichever if first.

10. DEBTORS – GONE AWAY

10.1 This section deals with the undelivered documents returned by the Royal Mail to the Finance Team marked “gone away”, “not known at this address”, etc.

10.2 On receipt of undelivered documents from a customer, the Head of Finance will record this within the customer record in the Debtors System.

10.3 The Head of Finance by delegation to the Finance Officer will ask the originating Project/Service Manager to confirm if the customer finance record information held is up to date and request a forwarding address or information.

10.4 A response to this request must be made within 7 days.

10.5 If a forwarding address is unknown the account will be referred to the Deputy Chief Executive to write off.

11. DECEASED DEBTORS

11.1 When the Head of Finance is informed or receives notification that a ‘debtor’ has deceased, ordinarily this will be via the Head of Service to which the customer account relates. Irrespective of whether or not there is a balance on the account, a condolence letter will be sent out by the Head of Finance on behalf of the Group. It is the Head of Service’s responsibility to inform the Finance Team immediately should they become aware of a customer deceased.

11.2 Wherever possible, the Head of Service should enquire of a contact person or relative on behalf of the deceased debtor whether an Executor has been appointed. As soon as the particulars are available this information should be forwarded to the Head of
Finance as well as and not excluding if they are available, the contact details of the person/s who supplied the information.

11.3 The Head of Finance will update the Debtors Account with the information received and contact the executor to confirm that the debtor was a customer of our Group along with the details of a final balance on their account.

11.4 As the estate of a deceased debtor is likely to be subject to probate and is confidential it will be unknown at this point whether sufficient funds are available to pay outstanding amounts due. However as long as the management of the customer accounts are monitored closely there should not be an unreasonable balance at this time left due on the account.

11.5 If the contact person acting on behalf of the deceased debtor does not have the details of the executor or if one will indeed be appointed, the Head of Finance will enquire if the contact person could forward the final account to the person responsible for the deceased debtor’s estate if known.

11.6 In the event that relatives or further information is not forthcoming, and or there is no known estate, the Head of Finance will propose and request authorisation from the Deputy Chief Executive for the account to be written off.

11.7 With respect to the policy on credit balances of a deceased debtors account, please refer to note 16.

12. **BANKRUPT / SEQUESTRATED DEBTORS**

12.1 All notifications received that a debtor has been declared bankrupt/sequestrated must be passed to the Head of Finance, immediately. If the Head of Service is aware of this first hand they have the responsibility to inform the Head of Finance immediately. Conversely, if the Finance Team is notified directly this should be made known to the Head of Service who has joint responsibility to be involved in pursuance of the outstanding balance, or potential ‘write off’?

12.2 The Head of Finance/Finance Officer will amend the account(s) once supporting evidence has been received for example a letter from a trustee or liquidator, article in press, etc.

12.3 A claim for the debt outstanding is prepared and submitted to the Liquidator/Accountant in Bankruptcy/Trustee by the Head of Finance and signed by the Deputy Chief Executive. Only accounts/services raised before sequestration date are liable for inclusion in claim.
All invoices/services raised after the date of the expiry of the period of sequestration/trust deed are liable for normal recovery.

12.4 The amounts due as submitted on the claim are to be referred and authorised by the Deputy Chief Executive for Write Off.

13. WRITE OFF

13.1 All requests for write off shall be in accordance with that prescribed and stated in the Group’s Financial Regulations. ‘Sums due to Age UK North Tyneside in excess of £2,000 shall not be written off without prior approval of the Board of Trustees. Sums less than £2,000 may be written off by the Deputy Chief Executive and reported to the Chief Executive’

13.2 The Finance Team maintains a list of accounts written off. This list and all supporting documentation is available to the (Finance & Resources Committee/Audit & Risk Committee) as well as our external auditors.

13.3 When accounts are written off the debt will be charged to the Project/Service that raised the account. The benefit of this approach is:
   - The charge to Project/Services will remove the credit received by that Service. This is proper accounting practice.
   - That it will better reflect the financial position for each Project/Service during the financial year.

14. REFUNDS

14.1 Credit balances will typically occur on tenants accounts where there is gap in the service therefore reducing the charges applied to their account but there is a fixed standing order in place.

14.2 Credit balances on customer accounts will be identified, monitored and checked regularly by the Head of Finance. These will be refunded or accounted for as Sundry Creditors until such time as these are claimed and/or authorised to refund by the Deputy Chief Executive in accordance with the Financial Regulations.

14.3 The Head of Finance/Finance Officer will follow up contacting either the tenant or person having Power of Attorney on behalf of the customer to determine who the credit should rightfully be issued to.

14.4 With respect to the account of a deceased debtor should the final balance be in credit, the Head of Finance/Finance Officer will follow
up the condolence letter with a Statement of Account which will reflect the credit balance.

We will ask that a request for reimbursement is put in writing to the Deputy Chief Executive providing the official beneficiary of this payment.

Should this be the Executor and or Solicitors dealing with the estate of the deceased debtor then this information should be provided and the Head of Finance will contact them directly with the enquiry.

15. SYSTEM SECURITY

15.1 As a matter of system security and as a requirement of audit, no member of staff must attempt to update or change data held with respect to an invoicing or debtors system held by the Group which contains information pertaining to a family member, close friend or other members of staff.

15.2 A request must be made to the Head of Finance who will complete the required amendment to the account.

15.3 Non-conformity with this request could be construed as an act of a fraudulent nature and would be treated as a serious breach of policy.

15.4 User names and passwords are issued to authorised personnel as delegated by the Deputy Chief Executive and must not be given to any other users.