

FINANCIAL CODE 4

INCOME COLLECTION

1. Background

This Financial Code sets out the arrangements which apply to income, sundry debtors and write-offs. The overall arrangements for the administration of the Council's financial affairs are the responsibility of the Head of Finance & Procurement. However, all Chief Officers are required to ensure that the principles outlined in this Financial Code are incorporated into the working practices of their Departments.

2. Income

Income Policies

2.1 Director's must review all fees and charges annually. These must be set to recover the full economic costs of goods or services provided (including administration), unless aligned to statute or a national scale amount which the Council has agreed to apply. A report on fees and charges for the year ahead should be prepared for the appropriate Service Committee for approval (including where no increase is proposed). The report should identify any subsidy present in the proposed charges.

The Council's policies in relation to setting Fees & Charges are currently subject to review taking into account the findings of the Transformation Programme Review of Income Generation and subsequent considerations in relation to the impact of the Covid-19 Pandemic and the Cost of Living. It is intended that the section above will be updated/replaced following the further review of fees and charges being undertaken as part of the Change & Savings programme.

2.2 The Council must not be deprived of any income to which it is entitled. The maximum amount must be requested/demanded in every case, consistent with any other policies the Council may have. The Head of Finance & Procurement must be consulted on any proposal to waive fees and charges and may determine that the matter should be referred to a Committee for decision.

2.3 Charging schemes should be publicised as widely as possible amongst the client group in advance of supply to avoid dispute. Prices must be printed on application/booking forms, leaflets, etc. and be posted prominently in any facility where the public are admitted, such as a dining hall, leisure/sports complex, museum, library, or waste transfer station.

2.4 Prices quoted to the public should be inclusive of VAT when it applies. Departments must consult the VAT officer within Finance & Procurement to ensure that correct VAT rates are applied to the income sources to comply with HM Revenues and Customs tax requirements.

2.5 The Council has adopted a single corporate solution for the management of all cash receipting and income management facilities, under the management of the Income Section. The Income Section should therefore be consulted before any new financial system is procured. This is to ensure that, where possible, the corporate solution is utilised or where this is not possible, the new software can be integrated with this solution.

2.6 All income received by the Council should be recorded within the Council's Corporate Counter Receipting system (currently provided by Capita Software Services).

3. Collection

3.1 Cash income from external parties must be collected by one of the following methods: -

- **Electronic Tills:** these must have an audit roll, allow identification of the operator, be able to produce management control prints and, other than in school dining halls, the till must issue a receipt,
- **Manual Receipting Systems:** receipts/sales notes must be pre-printed with the Council's name and VAT Registration Number, be pre-numbered, have a description of the income making distinction between cash and cheques, and be at least two part self-carboned so copies are automatically taken,
- **Tickets:** these must be pre-numbered (or be numbered automatically if printed at the point of sale), show the value of the ticket, and be inspected and cancelled/clipped at an entry control point,
- **AXIS CR** (and any future replacement systems): the Council's electronic income receipting system,
- **Lock Boxes/Coin Repositories:** the contents must remain inaccessible until boxes are opened and counted by two staff together, a cash office or the Bank,
- **Metered Equipment:** vending machines etc must meter takings and the meters should not be resettable,
- **Tokens:** an imprest arrangement must operate, the person selling them must not be involved in re-collecting used tokens and records must be kept of daily sales, purchases and balances.

3.2 Receipting stationery, tickets etc must be kept securely with regular stock checks carried out. Supplies must be controlled independently with records kept of who they are issued to, the date issued and what number range is involved. A build up of unused stationery should be prevented; the quantities issued should be kept small requiring top-up, say, monthly.

3.3 Cash income from staff (e.g. in respect of personal telephone calls) need not be receipted but each person should be asked to countersign the collection sheet/log by way of confirming the amount paid over.

3.4 Cheques are accepted for payment subject to clearance and all receipts should be endorsed to say this. Post-dated cheques are never acceptable.

3.5 Details of the Council's bank accounts can be passed to those wishing to make payment by BACS. To support this, bank account details to facilitate payment are shown on the Council Website for Council Tax and Non-Domestic Rates payments, as well as detailed on the reverse of Sales Ledger Invoices, again to allow payments to be made.

3.6 BACS payments are also accepted for payment of Council Tax, Non-Domestic Rates and Sundry Debtors. However, direct debit is the preferred payment option. BACS payments are paid through a nominated bank account specifically set up for this purpose.

4. Banking of Income

4.1 All income must pass through the official Council bank accounts which are under the control of the Head of Finance & Procurement. Income must not be directed, reassigned, lent or transferred to anyone else.

4.2 The Council's name must not be altered or removed from cheques etc it is entitled to receive, nor should cheques be returned for such alteration. When the Council's name properly appears as the payee on a cheque the funds may only be banked to the Council's account, even if ultimately intended for a third party.

4.3 All cash income must be: -

- Banked promptly to the appropriate account, within one or two days of receipt at most,
- Banked intact, in its entirety without retention for change, floats or to fund expenditure.

4.4 No-one may have use of coins or banknotes from income rendered to the Council. Personal cheques may not be exchanged or substituted for such.

4.5 Detailed guidance on income banking arrangements is reviewed and issued to relevant offices/facilities where required by the Income Team. This guidance is available by contacting (FinanceIncome@dumgal.gov.uk).

5. Postal Remittances

5.1 Where there is any possibility that money will be received through the post formal mail-opening arrangements must be established involving two or more people working together.

5.2 A log must be kept of all remittances received by post showing: -

- Date received,
- Opened by/checked by,
- Name & address of sender,
- Amount,
- Purpose,
- Payment details,
- Cash — denomination and number of coins/notes, postal orders — serial no., date, point of issue,
- Cheques — open or crossed, bank and sort code, account and cheque nos.
- How disposed of.

5.3 Postal remittances of coins, banknotes, postal orders and open cheques should be actively discouraged. In all cases these must be acknowledged to the sender by issue of a receipt or letter by return. Acknowledgement should also be made of a crossed cheque when requested.

5.4 Postal income should be banked as a priority, preferably on the same day as arrival. It may be passed to a cash office if one is available locally (who should countersign the mail log to acknowledge its transfer) otherwise it must be banked directly to one of the Council's accounts. Banking should not be delayed because the purpose of the income isn't known and in such cases a copy of anything accompanying the remittance should be forwarded to the Income Section with the banking voucher.

6. Credit/Debit Cards for collecting Income

6.1 The Head of Finance & Procurement should be notified in advance if credit/debit card facilities are to be used in order to establish arrangements for transactions to be processed through the Council's income management system.

6.2 Any charges which are incurred in relation to payments being processed by credit and debit card will be borne by the Council. The transaction charge for debit and credit cards is a % of the payment value depending on the type of card and/or payment channel being used.

6.3 The Council is required to adhere to regulations set by the PCI Security Standards Council (see some of the regulations below in point 6.4). Departments who use the Corporate Customer Receipting system meet elements of this standard through the managed service (currently provided by Capita Software Services). However, departments who process payments must ensure that they are adhering to these regulations and complete any documentation or system scans in a timely manner.

6.4 Strict control should be maintained over the storage and accessibility of media that contains cardholder data.

6.5 Management approval should be obtained prior to moving any and all media containing card holder data from a secured area (especially when media is distributed to individuals).

6.6 Strict control should be maintained over the internal or external distribution of any kind of media that contains card holder data. The control should include the following: -

- Media should be classified so that it can be identified as confidential,
- Media should be sent by secure courier or other delivery method that can be accurately tracked.

6.7 All receipts of Card Transactions should be kept for a minimum period of 24 months.

6.8 Credit/Debit card transactions can be reversed by Merchants. In all cases where this happens the appropriate Directorate will be notified to enable them to take further action. This must include the raising of a debtors invoice where the service has already been provided.

6.9 Cancelling a Credit/Debit Card Transaction - If a card transaction has been processed in error or the Card Transaction amount changes, the whole of the Card transaction should be cancelled where possible. The cardholder must be given a copy of the cancelled transaction.

6.10 Refunds - Where there is a need to refund a customer, the refund card transaction must be completed using the same card as that used for the original transaction.

7. Reconciliations

7.1 The following income reconciliations must be carried out at regular intervals. The frequency will depend on the volume of transactions but as a minimum they should be done once a month: -

- The income due (from the receipts/tickets/tokens physically issued, the number of items sold, the meter readings or the movement in stock for the period) to the income declared as collected,
- The income declared to the amount actually banked (as evidenced by bank giro credit counterfoils stamped and dated by the Bank),
- The bankings to the ledger income postings on the relevant dates,
- The total income posted in the ledger to the target or expected income for the period.

7.2 Reconciliations must be undertaken by someone independent of the actual collection and receipting of income. The intervals between collection and banking should be clearly recorded on the reconciliation statement.

7.3 Any unresolved 'unders or overs' in income must be formally noted and written off or banked, debiting/crediting codes in the ledger specifically set up for this purpose. An 'unders and overs' float must not be kept. Shortages in excess of £5 should be fully investigated to the satisfaction of the appropriate designated officer.

8. Security

8.1 In public offices, access to areas where income is handled should be physically restricted to nominated personnel by the use of security key locks, electronic locks, etc. Elsewhere rooms should be locked off or the money removed to a secure area away from general view during cash counts.

8.2 Staff involved in handling income at counters etc should not be allowed to leave for the day until they complete a cashing-up exercise. If the counter is closed over lunch breaks and the same operator is returning, the till or cashbox may be locked off without cashing-up if the area is secure.

8.3 Where counters are in continuous use, each operator should have their own cashbox or till drawer equipped with a lockable lid. These can then be removed to a safe during breaks. Operators should separately cash-up their cashboxes/till drawers at the end of the shift and their cash declarations compared with operator totals to identify any 'unders or overs'.

8.4 Staff handling cash should not be allowed to bring their own bags, purses, wallets or similar to the counter nor to keep bags close by.

8.5 Wherever possible there should be a rotation of staff involved in handling income at intervals of 3 to 6 months. If this is not possible, staff should be substituted for a week 2-3 times a year on a surprise basis (i.e. in addition to holidays).

8.6 Generally, where cash remittances exceed £200, bankings should be made every day. Special arrangements have been made for security collections at offices throughout the Council's area and income which has been made up into a banking may be brought for inclusion in these pick-ups. Unbanked income stored overnight in a safe may not exceed the relevant insurance limit. The limit applies to the value of negotiables held (coins/banknotes, open cheques, postal orders, vouchers, phone cards, etc).

SUNDRY DEBTORS

9. Background

9.1 Delays in receipt of sums due to the Council are costly, both in terms of lost interest and the extra costs of administration. The immediate and efficient issue of accounts and the prompt collection of sums due are therefore essential to the Council's requirements.

9.2 In operational terms the administration of Sundry Debtor Accounts comes under the remit of the relevant Director for the service issuing them. It is primarily the Department's responsibility to recover as much of the income owed as possible. Finance Officers have a monitoring role with regards to income owed to the service departments and the central Sales Ledger Team has a supporting role in providing advice.

10. Issuing Sales Ledger Accounts

10.1 Where possible, payment in advance of the service is to be actively encouraged at all times and particularly so where the sums involved are considered to be uneconomical to pursue (see 10.4 below). Where payment in advance is not practical then accounts for income must be raised and issued to the party timeously. This can be prior to the service delivery.

10.2 All accounts must be issued in the name of Dumfries and Galloway Council. All Sales Ledger accounts are required to detail the name and telephone number of the appropriate departmental contact in the event of a query. All accounts are to be issued promptly, either in advance or within 10 working days of the service being provided.

10.3 Departments are required to ensure that all Debtors accounts issued are for sums properly due only. They are required to keep appropriate supporting records and documents in respect of each transaction. This should be sufficient for the purposes of meeting the requirements of evidence in the event of legal proceedings being initiated to recover the debt. These should be provided to the Head of Finance & Procurement or Head of Governance & Assurance on request.

10.4 Generally accounts should only be issued for sums which are considered economical to pursue. By way of general guidance, accounts should **not** be issued for sums below £30 and staff should have due regard that sums below £1,000 are not considered economical to pursue via legal action. It is acknowledged however that there may be a need to raise accounts for smaller sums, but these should be the exception.

11. Settlement

11.1 The Sundry Debtors system provides all the tools and the information required to administer debt efficiently. Debtor accounts are updated within 24 hours following a payment to that account. Reports are available from the system identifying outstanding debt and how long it has remained unpaid. Where an account is in dispute, a 'hold' can be placed on it pending resolution of the problem.

11.2 Debtors are given a reasonable time to make payment. The general policy followed is that the debt is due for payment no later than 28 days following the date of issue. Where an account remains unpaid after the due date, debtors are given a reminder allowing a further 14 days to make payment.

11.3 Where an account remains unpaid after the issue of the reminder, the debtor is issued with a final reminder. This says that failure to settle the account within a further 7 days will result in the matter being referred for legal action. The final reminder letter fully explains the consequences of any further default by the debtor.

11.4 Departments may opt to vary from the foregoing arrangements if considered appropriate but must obtain the approval of the Head of Finance & Procurement to the alternative arrangements in all such instances.

11.5 Where a debtor is unable to settle in full by the due date it may be appropriate to arrange for repayment of the remaining balance by instalments. The Central Sales Ledger Team are authorised to agree payment arrangements on behalf of Departments - This facility should only be agreed to where the Central Sales Ledger Team are satisfied that the debtor does not have the means to make immediate settlement and no alternative external source of finance is available for use by the debtor. In all cases, the maximum instalment period which can be offered without written the written authorisation of the Head of Finance & Procurement is 5 years.

12. Further Action

12.1 Departments are required to monitor and review their outstanding accounts on a regular basis. Accounts which remain outstanding after 49 days require to be considered for further action by service management as follows: -

- Refer to external collection agents,
- Recover by legal action,
- Write-off in the accounts of the Council.

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Departments are responsible for initiating these actions which will be put into effect by the Central Sales Ledger Team once notice of decisions has been passed to them.

12.2 Accounts other than those being reasonably queried, or with satisfactory repayment agreements in place, or those being actioned as per the section above, are not be permitted to remain in the accounts of the Council. These should be reported to the Central Sales Ledger Team for write-off. Accounts which have been passed to external agents for collection should be monitored and in the event of there being no recovery or prospect of recovery after 6 months, these accounts should also be referred for write-off.

12.3 All requests for write-offs shall be in accordance with the guidance prescribed in the *Write Offs* section below.

12.4 In respect of accounts being referred for legal action, the BOP Sales Ledger Team will take responsibility for identifying all indebtedness by a debtor prior to legal action being taken. Departments will be asked to ensure that there are no unanswered queries in respect of the account(s). They must also in particular advise where any disputed account remains unresolved after contact with the debtor which the debtor may use as a defence in an action for recovery. Where part of a debt only is disputed, the debtor should be requested to make immediate payment of the undisputed element.

12.5 It is essential that Departments advise the BOP Sales Ledger Team at the earliest opportunity of any relevant information in cases which are being referred for legal action. Where possible, Departments should also attempt to find out whether the debtor has the ability to pay before referring for such action.

12.6 Where practical to do so, staff should have due regard to a debtor's outstanding accounts when considering whether to continue to provide further services.

12.7 At the end of each financial year the Head of Finance & Procurement will make provision for Doubtful Debts as considered appropriate.

13. Debt Write-Offs

13.1 A write-off involves the removal of a debt from the Council's accounting records, as distinct from making an adjustment to the debt which is dealt with through a credit note. The details below give advice and guidance on the procedures to be adopted when writing-off debts owed to the Council and cover Council Tax debt; Non-Domestic Rates debt, Sundry Debtors debt, and overpaid Housing Benefit.

13.2 The Council's Scheme of Delegation to Officers authorises the Director Economy & Resources and the Head of Finance & Procurement to write-off debts where they are satisfied they cannot reasonably be recovered, up to any limits set out in Financial Regulations (i.e. this Code).

13.3 The Scheme also permits the Director Economy & Resources to arrange for these powers to be exercised by other Directors up to the limits set out at Paragraph 13.6 below for Sundry

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Debtors write-offs. In operational terms therefore, the responsibility for identifying and initially authorising debts to be written off comes under the remit of the relevant Director for the Service involved. Directors may delegate the power to write off debts to Heads of Service but no further sub-delegation is allowed.

13.4 Generally, once it becomes clear there is little likelihood of recovering a sum recorded as a debt in the Council's accounts, the responsible Service should take steps to write-off the amount. Departments are required to regularly review the various categories of debt appropriate to their service and identify those accounts where avenues for recovery have been exhausted and are subsequently deemed to be uncollectable.

13.5 Departments are required to give an appropriate justification from the list below for each account written-off: -

- Gone away (No trace/forwarding address),
- Bankrupt/Sequestered,
- Uneconomic to pursue,
- No realistic prospect of recovery (further details required),
- DWP/Local Authority Official Error (Benefit Overpayments only).

13.6 Under the Council's Scheme of Delegation to Officers, amounts up to a value of £10,000 can be written off by the relevant Service Director with a summary of these write offs presented to the Finance, Procurement & Transformation Committee twice-yearly. All write offs relating to the same debtor in excess of £10,000 require the co-authorisation of the Head of Finance & Procurement with details of these accounts to be presented individually to the Finance, Procurement & Transformation Committee for scrutiny.

13.7 The Head of Finance & Procurement will make provisions for bad and doubtful debts in accordance with recommended accounting practices. Debts written off in respect of Council Tax and Non-Domestic Rates will normally be funded through these provisions (which are year-specific). Whilst bad and doubtful debt provisions are also made in respect of Sundry Debt, these write-offs will initially be funded by a charge-back against the original accounting code which was credited when the account was raised. Any use of the provision for bad and doubtful debts as an alternative in any particular case will be determined by the Head of Finance & Procurement.