



FELIXSTOWE

TOWN COUNCIL

Debt Management Policy

Statement of Policy

Felixstowe Town Council 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 incorporated into the routine workings of the Administration and Accounts Team and the Finance & Governance Committee.

The debt recovery process shall be fair, respectful, and professional. Consideration will be given to individual circumstances (e.g., where formal payment plans are requested) to ensure the Council acts reasonably at all times.

Policy Objectives

The aim of this policy is to identify the process by which the Council will recover aged debt and, where required, formally write off bad debt that is deemed irrecoverable.

Scope of this policy

The scope incorporates all customers of Felixstowe Town Council where monies are due for services provided. This includes, but is not limited to:

- Allotment tenants and Cemetery services.
- Corporate users of Town Council facilities (Hall hire and Weddings).
- Sponsorship of *Felixstowe in Flower* and advertisements in the quarterly magazine.

Communication of Debt

A regular Aged Debtors Report will be submitted by the Finance Administration Assistant to the Responsible Financial Officer (RFO). This report will indicate all overdue unpaid invoices, the current status of recovery actions, and highlight potential 'bad debt' for consideration by the Finance & Governance Committee.

Credit Control Process

All monies due will be collected in accordance with the Council's Financial Regulations.

- **Standard Terms:** Invoices are issued with a 28-day payment term unless otherwise specified by lease or contract.
- **Notification:** All invoices will state: *"Please be aware that statutory interest and late payment charges may apply if payment is not received within 28 days of the date of this invoice."*

Stage	Timeline	Action Taken
Stage 1	29 Days	Initial Reminder: Duplicate invoice sent via email or phone call reminding the customer to pay to avoid potential charges.
Stage 2	45 Days	Second Reminder: Follow-up via phone, email, or post requesting immediate settlement.
Stage 3	60 Days	Formal Letter: Payment reminder letter outlining specific charges and interest to be applied if payment is not received.
Stage 4	90 Days	Late Payment Notification: Letter and invoice detailing interest charges (backdated to day 29). Notice of potential withdrawal of Council services is issued.
Stage 5	90+ Days	Final Escalation: Managed on a case-by-case basis resulting in either legal action (e.g., Small Claims Court) or recommendation for 'write-off.'

Charging Structure

In accordance with the *Late Payment of Commercial Debts (Interest) Act 1998*, the Council reserves the right to charge interest on late payments.

Calculation

Charges will be issued via a separate invoice on the gross amount due using the following formula:

- **Annual Interest:** Debt Amount x (Bank of England Base Rate + 8%).
- **Daily Interest:** Annual Interest / 365.
- **Total Charge:** Daily Interest x Number of days overdue (accruing from day 29).

Example (£2,000 debt with an 8.5% total rate):

- £170 annual interest / 365 = £0.47 per day.
- 90 days overdue = **£42.30 total interest charge.**

Notes:

- VAT is outside the scope for late payment interest charges.
- Calculations will be verified via the Small Business Commissioner's calculator www.smallbusinesscommissioner.gov.uk/calculator
- Discretion: Officer and Committee discretion is required at each stage to ensure the Council remains "fair and reasonable" under public law principles.

Process to Write off Bad Debt

Felixstowe Town Council seeks to minimize bad debt through diligent recovery.

However, where debt is deemed irrecoverable (Stage 5), a report will be submitted to the Finance & Governance Committee detailing:

- Potential costs of recovery (legal fees/staff time) vs. amount owed.
- Likelihood of successful recovery.
- Evidence that the Credit Control Process was followed.
- The RFO's formal recommendation.

Approval for writing off debt is granted by the Finance & Governance Committee within its Terms of Reference. All write-offs must be processed by the RFO and Deputy Town Clerk to ensure accurate accounting at Year End.

Policy Approved: Council

Review Body: Finance & Governance Committee recommendation to Council

Review Period:

Next Review: F&G (March 2026) / Annual Council (May 2026)