



## Debt Recovery Policy

July 2016

Head Teacher: Mrs Olivia Bates

### MISSION STATEMENT

We, at Totternhoe Lower and Pre-School, strive for excellence in education by providing a safe, secure, caring family environment, where all are valued and respected as individuals, enabling them to reach their full potential, whilst growing in their love and understanding of the Christian Faith.

**Totternhoe Lower and Pre-School is committed to safeguarding and promoting the welfare of our children and young people and expects all staff, volunteers and visitors to the school to share this commitment**

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## 1. General requirements

**Any money owed to school has an impact on the budget and may affect the resources we can provide to all children. We hope that parents understand this and will make every effort to avoid owing the school money.**

The school will take all reasonable measures to vigorously collect debts as part of its management of public funds. A debt will be written off only after all reasonable measures (commensurate with the size and nature of the debt) have been taken to recover it.

The school's debt recovery policy will observe the relevant financial regulations and guidance set out in the Scheme for Financing Schools and any other legal requirements. In particular:

- the Governing Body will not write-off any debt belonging to the school which exceeds £1,000.
- Any sums above £1,000 will be referred to the Director of Children's Services for approval for write-off.
- The formal agreement of the Local Authority's Director of Finance and Resources will be obtained before a debt exceeding £1,000 is written off. (If any debtor has a number of debts which together exceed the write-off limit then these will be treated as a total amount).
- Debts greater than £10,000 can only be written off by the Executive member for finance on advice of the officer.
- a formal record of any debts written off will be maintained and this will be retained for 7 years (the form of this record is specified below).
- the school will not initiate any legal action to recover debts, but will refer any debts which it has not been able to collect (unless a decision to write-off the debt is demonstrably a reasonable course of action) to the Council's Legal Services Section to consider taking legal or other action to recover the debt.

In general payment for all goods and services supplied by the School should be collected in advance or 'at the point of sale'.

The procedures to secure the collection of all debts are outlined in paragraphs 3 to 2.4 and should be followed by all School staff.

## 2. Acceptable 'credit period'

The Governing Body must determine the length of time they deem to as an acceptable 'credit settlement period' before the debt recovery procedures are applied.

The Governing Body may consider that an 'acceptable' credit period may vary between different income generating activities; for example;

- School lettings;
- School Meals;
- Trips and activities.

The Governors may have stipulated a maximum settlement period for school lettings in a separate 'Lettings policy'. However, in order to ensure a consistent approach and demonstrate transparency, the 'acceptable' period for each activity should be stipulated in this policy.

Debt recovery procedures should be applied in accordance with item 4 of this policy.

### 3. Reporting of outstanding debt levels

The Headteacher will ensure that the level of outstanding debt is regularly monitored.

Suitable records will be maintained to detail individual debts and the total value of debt to the school in order that it can be determined at any time and reported to the Finance Committee.

The Finance Officer with the Headteacher will review the level of outstanding debts termly to determine whether this level is acceptable and whether action to recover debts is effective.

*(Monitoring of outstanding debts may be differentiated by type, e.g. if school meal debts prove more of a problem than those for lettings of premises then the frequency and degree of monitoring should reflect this).*

### 4. Debt Recovery Procedures

4.1 Where payment from the parent/guardian has not been received in advance, or 'at the point of sale', the following process should be applied.

(a) An invoice should be issued for the full amount in order to officially set up the debt;

Where invoices are raised they should state the date by which payment is due

(b) In all other cases, such as;

- correspondence with parents, etc. the maximum period that the school regards as reasonable before payment is overdue should be clearly stated, for example contributions for a school trip should be received
- payment for items purchased should be sent to the school office
- If payment is not forthcoming the process detailed in 4.1(a) should be applied.

(c) A record of all goods and services will be maintained detailing:

- type of good/services supplied;
- value;
- date(s) good/services supplied; and;
- the identity of the 'debtor', e.g. child, parent, hirer, etc.

## 5. Verbal and Written Reminders

**5.1** Details of all reminders, whether verbal or in writing, should be maintained. Where a letter is issued, a copy must be retained on file.

Should a debt need to be taken beyond two reminder letters, formal written evidence may have to be produced.

It is therefore important that at least one, but preferably two, written reminders are sent.

### **5.2 Initial 'overdue payment' reminder**

An initial reminder may be informal and can be made either in person (when a parent/guardian comes to collect/drop off the child), or by telephone.

In general, the SAO or Finance Officer will notify the parent/guardian after having built up a good relationship with the parents.

The date of the initial reminder should be recorded.

### **5.3 First 'overdue payment' reminder letter**

A formal reminder letter should be issued 2 weeks after the informal reminder / the date of supply.

*If action is to proceed further, it is necessary to prove that all reasonable attempts have been made to recover the debt, and that these attempts have been made in a timely manner, i.e. at the time that the debt first became overdue.*

The date of the initial reminder should be recorded.

### **5.4 Second 'overdue payment' reminder letter**

A second reminder letter will be issued 2 weeks after the First Reminder Letter. The date of the initial reminder should be recorded.

## 6. Failure to respond to reminders / settle a debt

If after 2 reminders, a response or payment is not received, a letter will be sent to the debtor advising them that the matter will be referred to the Council's Legal Services Section.

At the discretion of the Headteacher the debtor may be advised that they will be required to pay in advance for all future supplies or the supply will no longer be available to them.

This decision and its basis will be recorded and reported to the Finance Committee

## 7. Negotiation of repayment terms

Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder.

### **However, if people are unable to pay;**

The School may reduce or cancel a debt in certain circumstances. A sensitive approach to debt recovery will be carried out, taking the following factors into account.

- Hardship – where paying the debt would cause financial hardship.
- Ill health – where our recovery action might cause further ill health.
- Time – where the debt is so large compared to the person's income that it would take an unreasonable length of time to pay it all off.
- Cost – where the value of the debt is less than the cost of recovering it.
- Multiple debt – where someone owes more than one debt to the School. In this situation an attempt to agree one repayment plan to include all debts will be established.

Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder.

If a debtor requests for 'repayment terms' these may be negotiated at the discretion of the Headteacher.

A record of all such agreements entered into will be retained.

In all cases, a letter will be issued to the debtor confirming the agreed terms for repayment.

The settlement period should be the shortest that is judged reasonable.

The Headteacher will decide whether any debtor who has been granted extended settlement terms will not be offered any further 'credit' and will, in future, be required to pay in advance.

This decision and its basis will be recorded and reported to the Finance Committee

## 8. Costs of debt recovery

Where the school incurs material additional costs in recovering a debt then the Headteacher will decide whether to seek to recover such costs from the debtor.

The debtor will be formally advised in writing that they will be required to pay the additional costs incurred by the school in recovering the debt.

This decision and its basis will be recorded and reported to the Finance Committee

## 9. Bad debts

This debt recovery policy should be cross-referenced to the Scheme for Financing Schools.

Write-off of any debt requires the written approval of the Finance Committee up to a maximum of £1000.

A record of the write-off, the reason for it, and the approval for it, will be retained for 7 years.

## 10. Policy Review

**This policy will be reviewed and approved bi-annually by the Finance Committee**

### RECORDS OF DEBTS WRITTEN OFF

Debtor	Details of debt	Amount (£)	Invoice reference and date (where applicable).	Reason for write-off (including brief details of measures taken to secure payment - as appropriate).	Authorisation of write off – name and signature of the authorising individual and date.  Cross reference to entry in the accounts where applicable.