



# DEBT RECOVERY POLICY

**Agreed by the Finance Committee on:** Spring 2014

**Adopted by the full Governing Body on:** Summer 2015

**To Be Reviewed:** Annually

**Next Review:** Summer 2017

# Debt Recovery Policy

## 1. General requirements

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 formal agreement of the Local Authority's Director of Finance and Resources (Section 151 Officer) 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 section 151 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).

In general payment for all goods and services supplied by the School should be collected in advance or at least within 30 days upon receipt of an invoice.

## 2. Acceptable 'credit period'

The Governing Body determines that the length of time they deemed to be acceptable 'credit settlement period' is 30 days from the date of the invoice before the debt recovery procedures are applied.

## 3. Reporting of outstanding debt levels

The Executive 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 Governors.

The [Finance Committee](#) will review the level of outstanding debts every [term](#) 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 within the 30 days the following process should be applied.

- (a) An initial oral 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.
- (b) a reminder letter, within 7 days of the initial oral reminder, sent to parent with options for contacting the school if they are in financial difficulty, would like a longer amount of time to pay the debt and offering any other help/advice in the strictest of confidence
- (c) a 2<sup>nd</sup> reminder letter asking for payment within 14 days reiterating the above
- (d) a 3<sup>rd</sup> letter offering the above once (within 7 days) more but if they do not get in touch the debt recovery procedure will mean that the school will have to put a claim to the County Court for full recovery of the debt to the school

#### **5. Written Reminders**

**5.1 Details of all reminders, will be maintained in school. Where a letter is issued, a copy must be retained on file and all letters should be clearly dated.**

Should a debt need to be taken beyond three 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 *Finance Assistant/Business Manager* will notify the parent/guardian.

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](#).

*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.*

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

A second reminder letter will be issued 2 weeks after the First Reminder Letter.

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

At the discretion of the [Governing Body / Finance Committee / 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 [Governing Body / 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.

Please note that there is a debt management service provided within the Parish of Walthamstow called the CAP Centre (Christians Against Poverty). If parents/carers are

experiencing financial troubles, then CAP is a fantastic organisation and a great place to start.

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 [Executive Headteacher/Bursar](#).

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 [Executive Headteacher / Bursar](#) 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.

#### **8. Costs of debt recovery**

Where the school incurs material additional costs in recovering a debt then the [Head teacher / Finance Committee / Governing Body](#) 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 [Governing Body / 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 / Governing Body](#) 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 annually by the [Finance Committee and reported to the Full Governing Body](#).