



Nailsea School

Debtors Policy

Headteacher Mrs D. Elliott

Debtors Policy

1 Rationale:

- 1.1 The Governors are responsible for ensuring that there is proper management of the financial matters of the school. They have delegated the routine monitoring of the school's financial matters to its Resources Committee.
- 1.2 This policy covers the elements of financial control relating to income collection, from debtors.

2 Purpose:

- 2.1 To describe the procedures and processes for ensuring that the maximum level of income due to the school is received, and where this is not possible, to state the process for agreeing and writing off bad debts.
- 2.2 To describe the responsibilities of staff and Governors in the debt recovery process.

3 Guidelines:

- 3.1 Where possible, the payment for all goods and services supplied by the school should be collected in advance or 'at the point of sale'.
- 3.2 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.
- 3.3 The detailed procedures to secure the collection of all debts are outlined in section 4 and should be followed by all school staff.

4 Procedures:

4.1 Introduction and delegated limits for write offs;

- 4.1.1 The school's debt recovery policy observes the relevant financial regulations and guidance set out in the 'Academies Financial Handbook 2019', the main stipulations of which are:
 - 4.1.2 The academy trust must obtain EFA's prior approval for the following transactions beyond the delegated limits of the two categories set out below:
 - 4.1.2.1 writing-off debts and losses
 - 4.1.2.2 entering into guarantees, letters of comfort or indemnities
 - 4.1.3 The delegated limits, subject to a maximum of £250,000, are:
 - 4.1.3.1 1% of total annual income or £45,000 (whichever is smaller) per single transaction
 - 4.1.3.2 cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years.

4.1.3.3 cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years

4.1.4 In relation to these limits:

4.1.4.1 the trust should always pursue recovery of amounts owed to it, overpayments, or payments made in error, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits to how cases should be handled; the trust should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied that there is no feasible alternative

4.1.4.2 the amounts for write-offs are before any successful claims from an insurer or the risk protection arrangement

4.1.5 Total annual income is defined as grant income as disclosed in the trust's last set of audited accounts.

4.1.6 Before accepting any liabilities by:

4.1.6.1 issuing specific guarantees

4.1.6.2 providing a letter of comfort

4.1.6.3 providing indemnities

4.1.7 the trust should secure value for money by appraising the proposal through an assessment of the costs and benefits of relevant options. The trust must ensure that the value of any liability is within its delegated authority to commit.

4.2 A formal record of any debts written off will be maintained and this will be retained for 7 years.

4.3 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 School's Legal Advisors for advice on whether to consider taking legal or other action to recover the debt.

4.4 Acceptable credit settlement period

4.4.1 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.

4.4.2 The Governing Body may consider that an 'acceptable' credit period may vary between different income generating activities, such as events or trips and activities. The default settlement period will be 30 days, unless otherwise stated/agreed.

4.5 Reporting of outstanding debt levels

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

4.5.2 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 relevant committee.

- 4.5.3 The Resources Committee will periodically review the level of outstanding debts to determine whether this level is acceptable and whether action to recover debts is effective.

4.6 Debt Recovery Procedures

- 4.6.1 Where payment from a parent/guardian has not been received in advance, or 'at the point of sale', the following process should be applied.
- 4.6.1.1 An invoice should be issued for the full amount in order to officially set up the debt;
- 4.6.1.2 Where invoices are raised they should state the settlement period or date by which payment is due.
- 4.6.1.3 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 by date/month/year.
- 4.6.1.4 Payment for items purchased should be sent to the finance office by date/month/year.
- 4.6.1.5 If payment is not forthcoming the debt collecting procedures should be applied.
- 4.6.1.6 A record of all goods and services will be maintained detailing the type of good/services supplied, value, date(s) good/services supplied and the identity of the 'debtor', e.g. child, parent, hirer, etc.

4.7 Verbal and Written Reminders

- 4.7.1 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.
- 4.7.1.1 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 will notify the parent/guardian after having built up a good relationship with the parents. The date of the initial reminder should be recorded.
- 4.7.1.2 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.
- 4.7.1.3 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.
- 4.7.2 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 School's Legal advisors.

- 4.7.3 At the discretion of the Governors or 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.
- 4.7.4 This decision and its basis will be recorded and reported to the Resources Committee

4.8 Negotiation of repayment terms

- 4.8.1 Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder.
- 4.8.2 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.
 - 4.8.2.1 Hardship –where paying the debt would cause financial hardship.
 - 4.8.2.2 Ill health – where our recovery action might cause further ill health.
 - 4.8.2.3 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.
 - 4.8.2.4 Cost – where the value of the debt is less than the cost of recovering it.
 - 4.8.2.5 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.
- 4.8.3 If a debtor requests for 'repayment terms' these may be negotiated at the discretion of the Governors or Headteacher, and a record of all such agreements entered into will be retained.
- 4.8.4 In all cases, a letter will be issued to the debtor confirming the agreed terms for repayment, and the settlement period should be the shortest that is judged reasonable.
- 4.8.5 The Headteacher or Governors 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 Resources Committee

4.9 Costs of debt recovery

- 4.9.1 Where the school incurs material additional costs in recovering a debt then the Governors/Headteacher, in accordance with the delegated limits, will decide whether to seek to recover such costs from the debtor.
- 4.9.2 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.
- 4.9.3 This decision and its basis will be recorded and reported to the Resources Committee

5 Bad debts

- 5.1.1 Write-off of any debt requires the written approval of the Resources Committee / Governing Body up to a maximum of £1,000.

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

6 Review:

- 6.1 This policy will be reviewed annually, and is due for review by September 2020
- 6.2 This policy will be reviewed by the Business Manager and the Resources Committee.

7 Related Documents:

- 7.1 The main source of guidance on Academies finance, at the time of writing, is the 'Academies Financial Handbook, September 2019'. This document is updated annually, and the latest version should be adhered to.

