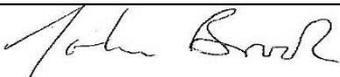


“Maximising students’ abilities, ambitions and academic potential”

Debt Recovery Policy

Recommended by Finance & Premises Committee	
Date: September 2015	
Approved by the Full Governing Body	
Signed:	
Next review due: September 2017	

Broadoak Mathematics and Computing College is committed to safeguarding and promoting the welfare of children and young people and expects all staff and volunteers to share this commitment.

Debt Recovery Policy

1. General requirements

The College 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 College's debt recovery policy will observe the relevant financial regulations and guidance set out in the Academies Financial Handbook as follows:-

Write-offs and liabilities

The College may write off debts and losses, including any uncollected fines up to the limits set out below:

- 1% of **total annual income** or £45,000 (whichever is smaller) per single transaction;
- 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 financial returns for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of financial statements; and
- cumulatively, 5% of **total annual income** in any one financial year per **category of transaction** for any academy trusts that have submitted timely, unqualified financial returns for the previous two financial years.

Beyond these limits the College must seek and obtain explicit and prior approval of the Secretary of State, through the EFA, for the transaction.

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 College 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 College's Legal Service to consider taking legal or other action to recover the debt.

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

The procedures to secure the collection of all debts are outlined in the following paragraphs and should be followed by all College 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;

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

The Governors may have stipulated a maximum settlement period for College 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.

The Governing Body have approved the following acceptable credit periods:

Extended Colleges – Fees to be paid at time of booking.

Lettings – Invoices issued. Payment terms 30 days.

College Trips and Activities (non curriculum enrichment) – payment to be made by cut-off date in letter issuing details of trip/activity.

3. Reporting of outstanding debt levels

The Director of Finance and Personnel 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 College in order that it can be determined at any time and reported to the Governors Finance and Premises Committee.

The Governors Finance and Premises Committee will review the level of outstanding debts at least annually to determine whether this level is acceptable and whether action to recover debts is effective.

4. Debt Recovery Procedures

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 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. Where invoices are raised these should state the date by which payment is due *date/month/year*.

In all other cases, such as;

- correspondence with parents, etc. the maximum period that the College regards as reasonable before payment is overdue should be clearly stated, for example contributions for a College trip should be received by *date/month/year*.
- payment for items purchased should be sent to the College Finance Office by *date/month/year*.

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 *Senior Finance Officer* will notify the parent/guardian/hirer 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 formal 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 second reminder letter 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 is sent to the debtor advising them that the matter will be referred to the College's Legal Services.

At the discretion of the Governors Finance and Premises Committee 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*.

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 College 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 College. In this situation an attempt to agree one repayment plan to include all debts will be established.

If a debtor requests for 'repayment terms' these may be negotiated at the discretion of the Governors Finance and Premises Committee.

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 Governors Finance and Premises Committee 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 *Governing Body*.

8. Costs of debt recovery

Where the College incurs material additional costs in recovering a debt then the Governors Finance and Premises Committee 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 College in recovering the debt.

This decision and its basis will be recorded and reported to the *Governing Body*.

9. Bad debts

This debt recovery policy should be cross-referenced to the Academies Financial Handbook.

Write-off of any debt requires the written approval of the Governors Finance and Premises Committee.

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 Governors Finance and Premises Committee *and reported to the Full Governing Body*.

