

Debtors Policy

Policy Adoption Date: June 2021
Next review date: July 2022

Debtor Policy

1 Rationale:

- The Trustees 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 the Finance Committee.
- This policy covers the elements of financial control relating to income collection, from debtors.

2 Purpose:

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

3 Guidelines:

- Where possible, the payment for all goods and services supplied by the Pre-School should be collected in advance or "at the point of sale."
- The Pre-School will take all reasonable measures to collect. 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 detailed procedures to secure the collection of all debts are outlined in section 4 and should be followed by all Pre-School staff.

4 Procedures:

4.1 Introduction and delegated limits for write offs;

The Pre-School's debt recovery policy observes the relevant Schools financial regulations, the main stipulation is as follows;

"The Trustees will ensure that there is a system in place for the monitoring of all outstanding debts to the Pre-School. In the event of bad debts, the Trustees will be responsible for approving the write-off of such debts up to a limit of £5,000 in any one financial year. For debts over the stipulated level, the Pre-School must refer details of cases to the Chief Financial Officer (as per the Financing for Schools scheme)."

4.2 Acceptable credit settlement period

- The Trustees must determine the length of time they deem to as an acceptable "credit settlement period" before the debt recovery procedures are applied.
- The Trustees may consider that an "acceptable" credit period may vary between different income generating activities, such income from fees relating to Pre-School or school trip payments. The default settlement period will be half a term for Pre-

School childcare fees unless otherwise stated. For training invoice, 1 month would be a default period. (please see Appendix 1 for a summary table)

4.3 Steps to reduce debt build up (Pre-School childcare fees)

- Informing parents of debtors' policy and charging policy as soon as possible. This is reinforced in a number of ways.
- The charging process is communicated to all parents who attend the new parents meeting (verbally).
- All new parents receive a copy of the Parent Information Handbook. This also refers parents to our full charging and debtor policy located on our website.
- All new parents receive a letter about the invoice process and about non-payment of invoices. This also refers parents to our full charging and debtor policy located on our website.
- All invoices ensure a clear payment date for payment is set and the procedure for any queries is clear.

4.4 Reporting of outstanding debt levels

- The Finance Manager 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 Manager will report the debts to the Finance Committee at least once termly to periodically and they will determine whether this level is acceptable and whether action to recover debts is effective.
- The Trustees will be informed at least once a year of a summary of debts or when there is an exceptional circumstance and where write offs are requested.

4.5 Debt Recovery Procedures (School fees)

- Where payment from a parent/guardian has not been received in advance, or "at the point of sale", the following process should be applied. "Point of sale" items include late fees, one off sessions or lunches where the fee is paid for up front and will not be invoiced.
- 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.
- 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.
- If payment is not forthcoming then the finance committee may decide to pass on the details to our designated legal advisors to chase payment and may involve being taken to court. This would depend on the materiality and circumstance of the debt.

4.6 Verbal and Written Reminders

- Details of all reminders (scanned), whether verbal or in writing should be maintained. Where a letter is issued, a copy must be retained on file.
- In some cases, it may be that the debtor will be spoken to informally by the Finance Manager or Office Manager to ask about payments.
- First “overdue payment” reminder letter - 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.
- In some circumstances it may be necessary to send email reminders of the debt (where children are off Pre-School for an extended period).
- Any significant debtors will be contacted directly (telephone) by the Finance Manager at the end of term if they have not paid after the reminder letter.
- If the debt is significant and a decision is made to pursue the debt formally, a letter will be issued to the debtor letting them know the procedure.
- At the discretion of the Finance Committee or Principal, 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 Negotiation of a Payment Plan (Childcare Fees)

- Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first “overdue payment” reminder.
- If people are unable to pay, the Pre-School may reduce or cancel a debt in certain circumstances or may change the way the debtor is chased for the debt (how often).
- 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 Pre-School. In this situation an attempt to agree one repayment plan to include all debts will be established.
- Exceptional Circumstances which may affect multiple debtors across the school (e.g. pandemic).
- If a debtor requests a “payment plan” these may be negotiated at the discretion of the Finance Manager and 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, and the settlement period should be the shortest that is judged reasonable.
- The Finance 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 in the minutes.

4.8 Costs of debt recovery

- Where the Pre-School incurs material additional costs in recovering a debt then the Finance Committee will decide whether to seek to recover such costs from the debtor and these will be recorded in the minutes of the FC meeting.
- 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.

5 Bad debts

- Write-off of any debt requires up to the maximum of £5000 per annum will be recommended by the Finance committee and approved by the Trustees. Where the debts are less than £50 per debtor, these may be grouped together to be written off.
- A record of the write-off, the reason for it, and the approval for it will be retained by the Finance Manager. See template enclosed.
- For debts over the stipulated level, the school must refer details of cases to the Chief Finance Officer for approval at our designated legal advisors (as per the Financing for Schools scheme).

6 Review

- This policy will be reviewed annually by the Finance Committee.

Appendix 1

Summary of types of debtors, terms and results if terms breached. (subject to decisions made by finance committee.)

Type of Debtor	Terms	Result if breach terms
Childcare Fees	Half a term	No additional (fee paying) childcare support offered.

Schools Training/support	30 days (as per invoice)	No further support offered for that School
ECP Contract	30 days (as per invoice)	Liaise with Bedford Borough as contract negotiated through them. Possibly stop service.
Lettings	30 days	Lettings stopped.

Debtor Write Offs

[illegible]