

TREVI GLAS COMMUNITY COLLEGE**Debt Recovery and Bad Debt Policy****1. General requirements**

The college will take all reasonable measures to 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 relevant financial regulations and guidance. In particular:

- the Governing Body will need to approve any debt write off above £500
- 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 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 college 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 7 and should be followed by all college staff.

2. Acceptable 'credit period'

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

- College lettings - 30 days post event where credit terms apply – see lettings policy
- Sports Hub - 30 days post event where credit terms apply
- Visits and activities – 30 days post visit or activity
- Other activities – 30 days from invoice date

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

3. Reporting of outstanding debt levels

The Director of Business and Finance 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 Headteacher.

The Director of Business and Finance will review the level of outstanding debts every month to determine whether this level is acceptable and whether action to recover debts is effective.

4. Debt Recovery Procedures

4.1 Where payment from the debtor 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 date/month/year.

(b) 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 visit should be received by date/month/year.
- payment for items purchased should be sent to the college finance office by date/month/year.
- 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.

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 Governing Body / 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

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.

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 Governing Body over £500 of debt and the Headteacher below £500 of debt

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 Head teacher / Governing Body 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 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 college in recovering the debt.

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

9. Bad debts

