

BRANNEL SCHOOL

 DEBT MANAGEMENT

 POLICY

Written by: Mr A Edmonds

Approved by Governors: 11th November 2015

Next Review: TBC

# Introduction

 1.1 Brannel School sends out invoices to generate income from the following sources:

* Lettings income from hirers of school premises.
* Music fee income from parents of students taking private music lessons.
* Other occasional miscellaneous school income e.g. educational visits, school trips and extra‐curricular activities.

* 1. Brannel School’s Governing Body is responsible for ensuring that procedures are in place for the recovery of outstanding debt. This policy sets in place the procedures followed in order to ensure the invoice is paid and, if not, that debt recovery is attempted.

* 1. Any money owed to school has an impact on the budget and may affect the resources which can be provided to all students. The school will therefore take all reasonable measures to vigorously collect debts as part of its management of public funds. A debt will be written off or passed onto an external debt collection agency **only** after all reasonable measures (commensurate with the size and nature of the debt) have been taken to recover it.

* 1. This policy sets out the procedures for debt recovery and for the write‐off of any debt which is deemed to be irrecoverable.

# Policy Context

2.1 Brannel School’s Governing Body has in place a **Policy for Charging** (approved October 2013). This is based on four principles relating to charging and remission as contained in the Education Reform Act 1988:

* Education should be free.
* Activities wholly or mainly during a school’s normal working hours should be available to all students regardless of their parent/carer’s ability or willingness to help meet the cost.
* Schools have the discretion to charge for optional activities provided wholly or mainly outside of school hours.
* Schools have the right to invite voluntary contributions for the benefit of the school, or in support of any activity arranged by the school, whether it is during or outside school hours.

# General Debt Management Requirements

3.1 The school’s debt recovery policy will observe the relevant financial regulations and guidance as set out in the DfE’s Schemes for Financing Schools (February 2014) and any other legal requirements. In particular:

* The Governing Body will not write‐off any debt belonging to the school which exceeds £1,000.
* 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).
* 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 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 Council’s Legal Services Section to consider taking legal or other action to recover the debt.
* The school will not write‐off any debt belonging to the Local Authority or another party. If in doubt as to the appropriate action to collect any such debts the school will seek advice promptly from officers of the Local Authority.

* 1. In general payment for all goods and services supplied by the School should be collected in advance or ‘at the point of sale’.

* 1. The procedures to secure the collection of all debts are outlined below and will be followed by all School staff.

# Acceptable ‘Credit Settlement Period’

4.1 The Full Governing Body has determined that one half term is an acceptable ‘credit settlement period’ before the debt recovery procedures are applied.

# Reporting of Outstanding Debt Levels

5.1 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 Resources Committee and/or Governing Body.

5.2 The Resources Committee and/or Governing Body will review the level of outstanding debts every term to determine whether this level is acceptable and whether action to recover debts is effective.

5.3 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.

# Debt Recovery Procedures

6.1 Where payment from the parent/guardian has not been received in advance, or ‘at the point of sale’, the following process should be applied:

## Step 1: Initial ‘overdue payment’ reminder

6.1.1 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.

 6.1.2 Copies of all letters are kept in a debtors file.

## Step 2: First ‘overdue payment’ formal reminder letter

6.1.3 A formal reminder letter is 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.

 6.1.4 Copies of all letters are kept in a debtors file.

## Step 3: Second ‘overdue payment’ formal reminder letter

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

 6.1.6 Copies of all letters are kept in a debtors file.

## Step 4: Third ‘overdue payment’ formal reminder from the Headteacher

6.1.7 If no response is received from the reminders the debt will be referred to the Headteacher who will write to the debtor.

6.1.8 The letter will advise that, in line with school policy, where debt is outstanding at this stage, the student against whom the debt has been accrued ‐ and any siblings at the school – will be allowed to participate **only** in **free** extra‐curricular activities and visits until the debt is settled.

6.1.9 This letter may also advise that should the school not hear from the debtor the matter will be passed to the Governors for debt recovery and this may result in legal action.

6.1.10 The debtor may be invited to meet either the Headteacher or a member of the Governing Body to discuss how the debt will be settled.

## Step 5: Notice of Intention

6.1.10 If no response is received from the Headteacher’s letter, a notice of intention will be issued advising the debtor that matter will be referred to Cornwall Council’s Legal Services Section for further action.

6.1.11 Failure to respond to this letter and/or failure to attend this meeting may result in the school passing the debt to an external debt collection agency.

# Failure to Respond to Reminders / Settle a Debt

7.1 The Governing Body will make every effort to work with parents to prevent debts mounting. At the discretion of the Resources Committee and/or Governing Body an official invoice may be issued for the full amount.

7.2 The debtor will be advised that, in line with school policy, where debt is outstanding at this stage, the student against whom the debt has been accrued ‐ and any siblings at the school – will be allowed to participate **only** in **free** extra‐curricular activities and visits until the debt is settled.

7.3 The debtor may be advised that he/she will be required to pay in advance for all future supplies and services or the supply will no longer be available to them.

7.4 This decision and its basis will be recorded and reported to the Resources Committee and/or Governing Body.

7.5 If a mutual agreement cannot be reached or if any agreed repayment is missed then the debt may be transferred directly to an external debt collector.

# Negotiation of Repayment Terms

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. If a debtor requests for ‘repayment terms’ these may be negotiated at the discretion of the Resources Committee and/or Headteacher. 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.

8.2 The Resources Committee and/or Head teacher 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 and/or Resources Committee.

8.3 Where individuals are genuinely unable to pay, the School may, in certain circumstances, reduce or cancel a debt. A sensitive approach to debt recovery will be carried out, taking the following factors into account.

* Hardship – where paying the debt would cause significant financial hardship.
* Ill health – where the 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 debts – 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.

# Costs of Debt Recovery

9.1 Where the school incurs material additional costs in recovering a debt then the Resources Committee and/or 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 Resources Committee and/or Governing Body.

# Bad Debts

10.1 Write‐off of any debt requires the written approval of the Resources Committee and/or Governing Body up to a maximum of £1000.

10.2 Write‐off of any debt over the value of £150 requires the written approval of the Resources Committee.

 10.3 Debts over the value £500 will be referred to the Full Governing Body.

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

# Debt Management Code of Practice

 11.1 We do not use oppressive or intrusive collection methods.

 11.2 We do not act in a manner intended to embarrass the debtor.

11.3 We are circumspect and discreet when attempting to contact the debtor, whether by telephone, letter, or by personal visit.

11.4 We ensure that all attempted contact with the debtors is made at reasonable times and at reasonable intervals.

11.5 Unless instructed otherwise by the debtor, we do not discuss with or disclose to neighbours, relatives or employers a consumer’s indebtedness.

 11.6 We do not use improper means to obtain the telephone number or the address of the debtor.

 11.7 We do not pressure debtors to sell property or raise funds by further borrowing.

11.8 We do not falsely imply that criminal proceedings will be brought nor that civil action has been instituted in default of payment.

# Policy Review

12.1 This policy will be reviewed and approved annually by the ResourcesCommittee and reported to the Full Governing Body.

 Signed: ……………………………………………

Chair of Resources Committee

 Date: …………………………………………….

 Signed: ……………………………………………

Chair of Full Governing Body:

 Date: …………………………………………….

**Debt Management Policy**

 **Appendix A – Schedule of steps**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Lettings** **Invoices**  | **Trips / Purchases**  | **Music Fees**  |
| **Initial letter / invoice**   | At the end of the month in which the letting took place.  | When the trip or purchase is planned and notified to students. Varies:  | An invoice for lessons is issued at least one week before the end of the previous term.   |
| **Due Date**   | At the end of the next month.  | For purchases, if payment is not made by the due date the item is not given to the student. For trips there may be a series of instalment dates.  | The first day of the term in which lessons are being provided.  |
| **Statement and Initial**  | On the due date.  | 1 week after the due  | On the due date.  |
| **Reminder Letter**   |  | date.  |  |
| **First Reminder Letter**  | 2 weeks after the  | An invoice is sent 3  | 2 weeks after the due date.  |
|   | due date with a statement. From the Finance Officer.  | weeks after the due date. From the Finance Officer.  | From the Finance Officer.  |
|  **Second Reminder**  | 4 weeks after the  | 5 weeks after the  | 4 weeks after the due date.  |
|   | due date. From the Finance Officer.  | due date advising them that they may be removed from the trip.  | From the Finance Officer. Parents are advised that lessons will be cancelled and six weeks fees to be paid. Notice is given to the teacher.  |
| **Headteacher’s Letter**  | 6 weeks after the  | 7 weeks after the  | 6 weeks after the due date.  |
|  **Notice of Intention**  | due date.   | due date.  |  |
|  | 2 weeks after the headteacher’s letter.  |