

**Honiton Community College
Academy Trust**



This Policy was adopted by the Governing Body of
Honiton Community College Academy Trust
on 24th May 2017
and will be reviewed annually.

DEBTORS AND DEBT RECOVERY POLICY

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.

1. Debt Recovery

Any sums above £1,000 will be referred to the Resources Committee for approval for write-off.

- the relevant financial regulations and guidance set out in the Academies Financial Handbook and any other legal requirements will be adhered to.
- 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 where it feels appropriate will initiate legal action to recover debts.
- the Director of Finance and Resources may write-off or reduce any debt belonging to the College which does not exceed £1,000

In general payment for all goods and services, including lettings supplied by the College should be paid in advance or by invoice which will be raised at the point of supply.

- Invoices will clearly state by which date payment is due.
- Correspondence with parents eg College trips should clearly state when the final payment is due.
- Tuition fees will be paid termly in advance or by an agreed payment system.

2. Invoicing and payment periods

All invoices are expected to be paid in full within 30 days of being issued.

The Board of Governors may consider that an 'acceptable' recovery period may vary between different income generating activities; for example;

- College lettings;
- Supply of Services
- Tuition Fees
- Trips and activities.

Debt recovery procedures will be applied on overdue payments.

3. Reporting of outstanding debt levels

The Finance Officer 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 Resources Committee.

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

4. Debt Recovery Procedures

Details of all reminders, whether verbal or in writing, should be maintained. Where a letter is issued, a copy must be retained on file.

It is important that at least two reminders are sent.

a ***Initial 'overdue payment' reminder***

An initial reminder may be informal and can be made either in person or by telephone.

The date of the initial reminder should be recorded.

b ***First 'overdue payment' reminder letter***

A formal reminder letter should be issued 2 weeks after the informal reminder – the date of the initial reminder should be recorded in the letter.

c ***Second 'overdue payment' reminder letter***

A second reminder letter will be issued 2 weeks after the first reminder letter.

5. Failure to settle a debt

If after 2 written reminders, a response or payment is not received it will be referred to the Director of Finance and Resources.

A letter may at this stage be sent to the debtor advising them that the matter will be referred to our legal advisors.

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 Resources Committee.

6. 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 factors such as the following into account:

- Hardship
- Ill health
- Cost of recovery
- 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 Director of Finance and Resources subject to the £1,000 limit.

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 Director of Finance and Resources will decide whether any debtor who has been granted extended settlement terms will in future be required to pay in advance.

This decision and its basis will be recorded and reported to the Resources Committee.

7. Costs of debt recovery

Where the College incurs material additional costs in recovering a debt then College will 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 policy will be reviewed and approved annually by the Resources Committee.

