

Ormiston Forge Academy

Debt Recovery Policy

June 2017



Approved by the Governors Finance and General Purposes Committee under powers delegated by the Governing Body: **12th June 2017**

Review period: **June 2018**

1. Introduction

- 1.1 In accordance with the funding agreement from the Education Funding Agency (EFA), the Academy is required to apply robust financial controls which conform to the requirements of both propriety and good financial management.
- 1.2 To this end the Governing Body is responsible for ensuring that procedures are in place for the recovery of any outstanding debt. This policy sets out the procedure for debt recovery within the Academy and for the write-off of any debt which is deemed to be irrecoverable.

2. Bad Debts

- 2.1 Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, a debtor's account will be issued by the finance officer. However to ensure sound internal control, the finance officer who will be responsible for raising debtor accounts will not also have the authority to write off debts.
- 2.2 The responsibility for recommending the write off of any debtor will lie with the Finance Director. The VAT element of any debt must not be written off, as this contravenes HM Revenue & Customs statutory requirements.
- 2.3 The Finance Director has the responsibility to review Aged Debtors on a monthly basis. All debts will be recorded and non-payment will be followed up. If there is any debt greater than 30 days the following strategy will be adhered to :-
 - **First Telephone Call** – The Finance Officer must record the details of the call onto the academies financial management system and bring the issue to the attention of the Finance Director. The Finance Officer should establish the nature of the payment delay and obtain agreement from the debtor to make payment within 14 days.
 - **First Letter** – Where no payment has been received after 14 days following telephone contact with the debtor, the first letter should be sent as per Appendix A1
 - **Second Letter** – Where no payment has been received within 14 days of sending the first letter, the Finance Officer will issue the second debtors letter as per Appendix A2
 - **Third Letter** – Where no payment has been received within 14 days of sending the second letter, the third and final letter prior to legal action will be sent by recorded delivery as per Appendix A3.
 - **Referral to Solicitor** – Where no payment has been received within 7 days of the third letter the matter shall be reviewed by the Finance Director with subsequent referral to solicitors where it is considered to be the most appropriate course of action. The debtor will be informed of this in writing. Where the debt relates to lettings, the Finance Director shall notify the Site Manager to ensure that all future lettings relating to that customer are cancelled until payment is received in full.

2.4 If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures:-

- Initial approval must be given by both the Principal and the Director of Finance.
- The write off must be approved by the Finance & General Purposes Committee and then reported to the next meeting of the Governing Body.
- The Academy will retain a Bad Debt Write-Off Summary.

2.5 The Director of Finance is responsible for notifying the EFA of any debt written off that is over £1,000 in value.



Appendix A1 – First Debtors Letter

[Date]

Debtor Name
Debtor Address

Dear [Name]

Debtors Account Number [Insert number]

This is a reminder that there is an overdue balance of £ [insert balance] on your account. This comprises:

[Insert invoice numbers and amounts]

You have exceeded our normal credit terms of 30 days and payment within the next 14 days is requested. If you wish to speak to the finance office about the overdue balance please contact the Finance Officer on 01384 566598 ext 2171.

Yours Sincerely

[Name]
Finance Director
Ormiston Forge Academy



Appendix A2 – Second Debtors Letter

[Date]

Debtor Name
Debtor Address

Dear [Name]

Debtors Account Number [Insert number]

Despite previous correspondence there remains an overdue balance on your account of £ [insert balance]. This comprises:

[Insert invoice numbers and amounts]

If we do not receive payment within the next 14 days we shall have no alternative but to take the necessary steps to recover the amount owing to us. If you wish to speak to the finance office about the overdue balance please contact the Finance Officer on 01384 566598 ext 2171.

Yours Sincerely

[Name]
Finance Director
Ormiston Forge Academy



Appendix A3 – Third and Final Debtors Letter

[Date]

Debtor Name
Debtor Address

Dear [Name]

Debtors Account Number [Insert number]

We have contacted you on a number of occasions regarding the following outstanding invoices:-

[Insert invoice numbers and amounts]

The Ormiston Forge Academy will take all steps necessary to recover amounts owing to the organisation. Unless we receive payment within 7 days we shall be forced to instruct solicitors to recover the debt. If you wish to speak to the finance office about the overdue balance please contact the Finance Director immediately on 01384 566598 ext 2132.

Yours Sincerely

[Name]
Finance Director
Ormiston Forge Academy