



Little Learners
NURSERY GROUP

Debt Recovery Policy

Reviewed: September 2021

To be reviewed: September 2022

1. General requirements

The nursery will take all reasonable measures to vigorously collect debts as part of its management of 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.

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).

In general, payment for all goods and services supplied by the nursery should be collected in advance or at least within 7 days upon receipt of an invoice.

2. Acceptable 'credit period'

The Board of Directors determines that the length of time they deemed to be acceptable 'credit settlement period' is 7 days from the date of the invoice before the debt recovery procedures are applied.

3. 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 nursery in order that it can be determined at any time and reported to the Board of Directors.

4. Debt Recovery Procedures

4.1 As per the Nursery contract, payments must be made in full and in advance before the 5th working day of the month. Where payment from the parent/guardian has not been received in advance, the following process should be applied.

- (a) Fees that are not received by the 7th of the month will be issued with a reminder invoice, statement of fees and a letter asking payment to be made before 14th. The only exception to this rule will be payments made via childcare vouchers.
- (b) Further failure to make a payment will result in a second letter issued, informing parents not to bring their child into nursery until the outstanding balance is paid in full.
- (c) In the instance that payment is in arrears after receiving 2 reminder letters, the child's placement at Little Learners will be terminated and the outstanding balance will be referred to a debt collection agency.

5. **Written Reminders**

- 5.1 Details of all reminders, will be maintained in nursery. 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 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.

In general, the *Finance Manager* will notify the parent or guardian.

The date of the initial and second reminder should be recorded.

6. **Failure to respond to reminders / settle a debt**

At the discretion of the Directors the debtor's placement at Little Learners Nursery Group may be terminated and or advised that they will be required to pay in advance for all future supplies.

This decision and its basis will be recorded.

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 Nursery 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 debts – where someone owes more than one debt to the Nursery. 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 Finance Manager and Nursery Principal.

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 Principal 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.

8. Costs of debt recovery

Where the nursery incurs material additional costs in recovering a debt then the Principal / Finance Manager / Business Manager 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 nursery in recovering the debt.

This decision and its basis will be recorded and reported to the Board of Directors.

9. Bad debts

Write-off of any debt requires the written approval of the Board of Directors up to a maximum of £1000.

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