

## DEBT MANAGEMENT POLICY

This Policy is issued on the authority of the Board of Trustees, Nairobi Waldorf School Trust.

Effective Date of the Policy: **14th July 2022.**

Execution Date of the Policy: 7th May 2025 .....

### Chairperson, Board of Trustees

Name: Pooja Patel .....

Signature:  .....

Date: 7th May 2025 .....

**POLICY AMENDMENTS**

Serial No.	Amendment	Date of Amendment	Nature of Change	Name and designation of the authorized person	Signature of the authorizing person

## FORWARD

The effective management of debt is vital to the success of any institution. Any money owed to a school impacts the budget and is likely to affect the school's resources to provide to students. The school administration hopes that parents understand the adverse effects of debt and make every effort to avoid owing money to the school.

As part of the school's community cohesion strategy, there is a belief that the school has a more comprehensive social responsibility. There is a need to ensure a balance between the competing needs to maximize income collection and ensure that parents/guardians who are historically shown to be school debtors are treated fairly and equitably. The school management, however, must ensure that all reasonable measures are taken to collect debts vigorously.

The school board of trustees is responsible for ensuring that procedures are in place for recovering outstanding debt. Therefore, the Board of Trustees has developed this debt management policy to ensure that the required balance is applied to recover debts. The policy aims at achieving the following milestones;

- ❖ Providing professional, consistent, and efficient approach to debt collection
- ❖ Effective pursuance of all obligations owed to the school and ensuring that all with the means to pay do pay.
- ❖ Full consideration of the debtors' circumstances and their ability to pay and distinguish between the debtor who won't pay and the debtor who genuinely can't pay.
- ❖ Ensuring that debts are managed following legislative provisions and best practices.
- ❖ Treatment of individual debtors consistently and fairly without bias

The following factors will be taken into consideration as management pursues the recovery of debts;

- ☐ **Hardship** – Where payment of the debt would cause severe financial hardship
- ☐ **Ill health** – Where the recovery of debt may cause further ill health
- ☐ **Cost of debt** – Where the value of the debt is less than the cost of recovering it.
- ☐ **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.

### i) **Acceptable credit period**

One-half term can be considered as an acceptable credit settlement period before the debt recovery procedures are applied.

### ii) **Reporting of outstanding debt levels**

The school finance coordinator will ensure that the level of outstanding debt is regularly monitored. Relevant records will be maintained to detail individual obligations and the total value of debt to the school to be determined at any given time, and a report presented to the board of trustees regularly. The trustees and/or the finance committee will periodically review the outstanding debts' level to determine whether the level is acceptable.

**iii) Debt recovery procedures**

Where payment has not been received after the second Friday of school opening for a new term, the following debt recovery process will be applied;

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

An initial reminder will be sent in writing or a soft copy of the account statement will be sent after 14 days of school opening for a new term.

**b) Second 'overdue payment' reminder**

A formal reminder letter will be issued on the 30<sup>th</sup> day of the new term. If further action is to be taken against the debtor, it is necessary to prove that all reasonable attempts have been made to recover the debt and that these attempts have been made promptly.

**c) First 'overdue payment' demand letter**

A first demand letter will be issued on the 45<sup>th</sup> day after the school opening. The letter will specify that interest will accrue at the rate of 5% from the due date until the outstanding debt is cleared in full.

**d) Second 'overdue payment' demand letter**

A second demand letter will be sent to outstanding debtors on the 60<sup>th</sup> day after school opening. The letter will demand that payment be made within 10 days from the date of the letter, failure to which the debt will be transferred to an external debt collector/advocate.

**iv) Failure to respond to demand letters/settle outstanding debt**

If there is no response to the second 'overdue payment' demand letter, on the 70<sup>th</sup> day, the school manager and finance coordinator may take action to recover the debt by referring the matter to an external debt collection agency or the school's advocates.

The management will make every effort to work with parents to prevent debts from mounting.

**vi) Costs of debt recovery**

Where the school incurs considerable additional costs in recovering a debt, the board of trustees may recover such expenditures from the debtor.

**vii) Bad debts**

Write-off of any debt will require approval of the school board of trustees.

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

**ACCOUNTS RECEIVABLE  
Invoicing and Collection Schedule**

