

Debt Recovery Policy



Education is for improving lives and for leaving your community and world better than you found it.

Approved by the Trustees Audit & Risk Committee of Trustees on: 13th June 2022

Review date: June 2024

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1. Introduction

- 1.1 Community Academies Trust (CAT) has a duty to ensure the trust receives all the funds to which it is entitled. This policy ensures the appropriate procedures are in place to deal with debts and the recovery of assets. It encompasses all debts owed to the trust including, but not limited to, payments for goods, services, school trips, and school meal payments. It also covers overpayments of salary and the recovery of money or assets lost through theft or fraud.

2. Limits for writing off debts

- 2.1 The Education and Skills Funding Agency (ESFA) requires the trust to obtain prior approval for the writing off of debts or losses that are over £45,000 per transaction. The ESFA stipulates that the trust should always pursue recovery of amounts owed to it, irrespective of how they came to be made. Should it be considered that a debt of this size should be written off, the Executive Director (Finance and Operations) and Accounting Officer will be responsible for gaining the necessary clearances from the ESFA.
- 2.2 Community Academies Trust's Scheme of Financial Delegation requires that the writing-off of amounts over £1,000 are approved by the Board of Trustees. Amounts up to £100 per customer per annum may be approved by the Headteacher. Amounts over that level require approval by the Accounting Officer. Such approval will only be given after a recommendation from the Executive Director (Finance and Operations).

3. Debt Recovery Process

- 3.1 In practice there will be both practical and legal limits as to how cases should be handled and there are some debts where the effort to recover will be judged to outweigh the reward. Records should be kept of all contact made and letters sent. These should be kept for 7 years.
- 3.2 The recovery process is:
- **Informal reminder:** The debtor will be informally reminded, in person or by telephone, that they owe money to the school.
 - **First reminder letter:** If the debt is yet to be paid two weeks after an informal reminder, a formal letter will be sent to the debtor. At this point an invoice should be raised in the trust's financial system if this has not already been done.
 - **Second reminder letter:** If the debt is yet to be paid two weeks after a first formal reminder, a second formal letter will be sent to the debtor. These letters allow the debtor every opportunity to settle their debt and ensure the school can

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prove all reasonable steps have been taken to recover the debt should the issue proceed further. At this point the debtor should be advised that they will have to pay in advance for all paid for services in the future if this has not already been done.

- **Final reminder letter:** If no response is received following the second reminder after a further 2 weeks, the school will send a letter to the debtor advising them that they will be considering legal action. This letter will be sent by recorded delivery to ensure the debtor has had every chance to respond.
- **Possible legal action:** The Headteacher or Business Manager will consult with the Executive Director (Finance and Operations) to decide whether to take legal action against the debtor using the trust's legal advisors. The first stage will likely be a solicitor's letter followed by consideration of action through debt collection agencies or the small claims court.

4. Financial Processes

- 4.1 All debts should be recorded. It is acceptable for this to be done informally at first, but the trust's Scheme of Financial Delegation requires that a sales invoice is raised on the trust's finance system within 30 days of the debt becoming due. This is to ensure that the Trustees of the trust are aware of all outstanding debts. Finance staff in school should contact the central team to ensure this invoice is properly raised.
- 4.2 School staff should note that the raising of a sales invoice crystallises the income in the school's accounts. Should the invoice prove to be irrecoverable, the writing off of the debt will reduce the income of the school accordingly. Care should be taken that when income is received against a debt that has been invoiced that it is posted to the sales ledger and not credited as income for a second time.
- 4.3 The Aged Debt report should be reviewed at the end of each month by the Headteacher/School Business Manager to ensure that appropriate action is being taken.
- 4.4 Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue reminder'.
- 4.5 If a debtor asks for 'repayment terms' these may be negotiated at the discretion of the Headteacher/School Business Manager. A letter will be issued to the debtor confirming the agreed terms. The settlement period should be the shortest that is judged reasonable.
- 4.6 The Headteacher or School Business Manager should decide whether any debtor who has been granted extended settlement terms will be offered any further 'credit' or should be required to pay in advance in future.

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- 4.7 Where the school incurs material additional costs in recovering a debt then such costs should be recovered from the debtor. The debtor will be formally advised that they will be required to pay the additional costs incurred by the school in recovering the debt.
- 4.8 Where the family owing a debt has more than one pupil being educated in the trust then paid for services may be withdrawn from all pupils until the debt is paid.
- 4.9 Debit balance on creditor accounts (due to error or receipt of credit notes) should be reviewed at the end of each month as part of the financial closedown process and a refund sought if the debit is unlikely to be cleared within the next month.
- 4.10 Where remittances are not cleared (“bounced” cheques) the central finance team will identify the school concerned as soon as possible and inform the school so the debt can be recovered.

5. Specific Debts

5.1 Dinner Money for pupil meals

Dinner money should generally be paid in advance. It is suggested that debts of more than a week should not be allowed to be built up, but each school will need to consider its own procedures as to whether a meal is provided to a child where significant debts have been accumulated. Such decisions will take into account the age of the child and known family circumstances.

Where a family is known to have financial difficulties then a recommendation for the registration for free school meals should be pursued, with the school offering assistance if required.

Legally there is no requirement to provide a meal if payment is not forthcoming.

5.2 Trips and Educational Visits

For educational visits it is not legally allowed to prevent a pupil from going on the visit if the donation has not been made. Therefore any unpaid contributions to educational visits cannot be treated as requiring debt recovery and must not be invoiced.

For discretionary school trips (eg: skiing holidays) payment should be required before the pupil attends the trip.

5.3 Childcare

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Many of our schools provide paid-for childcare (nursery, before and after school clubs, holiday clubs). Payment should be required in advance of the service being provided to avoid debts occurring. Should a debt of 2 weeks of fees be incurred then the matter should be formalised (invoice raised, formal reminder sent). The Headteacher should also at this point withdraw the service until the debt is cleared.

5.4 Music Lessons

Music lessons should be paid for in advance. The school is often committed to making payment for the lessons for the full year and it is strongly suggested that the commitment from the parent matches the commitment to the supplier and such commitment should be made in writing.

5.5 Lettings

Lettings should be billed in advance and access withheld for further use of the facilities once a debt has been outstanding for 4 weeks or more unless the alternative arrangements are specified in the lease or license.

5.6 Staff debts

Overpayments of salaries will normally be recovered through raising an invoice from the payroll information.

Staff should not be allowed to incur debts for incidental items such as for school lunches.

5.7 Losses due to fraud or theft

Losses due to fraud or theft should always be pursued as far as is practical. The police should normally be involved in such cases.

6. Remissions

6.1 Where there is a genuine difficulty in making payment, parents should in the first instance be encouraged to register for free school meals if eligible as this will also release an income stream to the school. Schools are able to use income for deprivation, including but not limited to pupil premium, to support pupils whose parents would otherwise not be able to afford access to school trips, childcare, music lessons or other school activities.

6.2 The Local Governing Body should approve a remissions policy to ensure that all are treated fairly.

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6.3 The Remissions Policy will be specific to each school in the trust and reviewed annually.

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Appendix 1 - Suggested Letters

First reminder letter

Dear [Name]

Debtors Account

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

[Insert description and amounts]

Either: In line with our debt recovery policy we enclose a formal invoice for this amount.
Or: Invoices have already been issued to you for this amount and we enclose copies for your information.

The school normally requires payment in advance for all paid-for services and so payment within the next 14 days is requested.

Either: All further paid for services must be paid for in advance or it will unfortunately not be possible for us to provide these services to you.

Or: If payment is not received by DD/MM/YY all further paid for services must be paid for in advance or it will unfortunately not be possible for us to provide these services to you.

If you wish to speak to us about the overdue balance please contact the School Office on XXXX XXXXXX

Yours sincerely
[Name]

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Second reminder letter

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]

All further paid for services must be paid for in advance or it will unfortunately not be possible for us to provide these services to you.

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 us about the overdue balance please contact the School Office on XXXX XXXXXX

Yours sincerely

[Name]

Final reminder letter

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]

Under the Community Academies Trust's debt recovery policy the school will take all steps necessary to recover amounts owing to the trust. Unless we receive payment within 7 days we shall be forced to refer the matter to the Executive Director (Finance and Operations) who will instruct solicitors to recover the debt.

If you wish to speak to us about the overdue balance please contact the School Office immediately on XXXX XXXXXX.

Yours sincerely

[Name]

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