
Debt Recovery Policy

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Version	3.1

Statement of intent

The Diocese of Hereford Multi-Academy Trust (Trust) is committed to ensuring equal opportunities for all pupils, regardless of financial circumstances, and has established policies and procedures to ensure that no child is discriminated against by our offering of academy trips, activities and educational extras.

While this is the case, The Trust and its academies must have a policy in place to ensure the repayment and recuperation of any outstanding debts incurred by the academy on behalf of a pupil. In accordance with the funding agreement from the Education Skills and Funding Agency (ESFA), the Trust and its academies are required to apply robust financial controls, which conform to the requirements of both propriety and good financial management. The academy will take all reasonable measures to vigorously 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.

Each case is to be treated individually and the circumstances that have led to the outstanding debt will be taken into account to determine the best course of action and whether it is fair and reasonable to pursue the debt. The Trust (with its academies) is committed to adhering to legal requirements regarding charging for academy food, activities and materials, and meeting all statutory guidance provided by the DfE, Education Skills and Funding Agency and the Academies Financial Handbook 2021.

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1. Legal framework

- 1.1. This policy will adhere to the relevant legislation and statutory guidance surrounding academy payments and debt recovery, including the following:
- DfE 'Charging for school activities'
 - DfE 'Governance Handbook'
 - ESFA Academies Financial Handbook

2. Roles and responsibilities

- 2.1. As a general rule, academies are to avoid incurring debts. Payments for materials and services provided by the academy should be collected in advance or at the point of sale.
- 2.2. This policy needs to be on the academy's website and reference in any correspondence with parents so that they are aware of the policy should they incur debts with the academy.
- 2.3. Any person(s) involved in the monitoring, recording and pursuing of debts owed to the Trust or its academies must formally record any information gathered and actions taken – data is to be kept by the academy for a period of seven years.
- 2.4. The academy's Local Academy Board/ Strategic Task Group (LAB/STG) and/or its sub-committee responsible for finance and resources matters:
- Will regularly review details of its debts and what recovery action is needed.
 - Will pass debts to the Central Finance to let determine the appropriate steps in a case of debt recovery.
 - Will adhere to the privacy rights of pupils and their guardians in all cases.
- 2.5. The Staff members with formal responsibilities for managing debt collection will ensure:
- Debt reminders are recorded and those records maintained for a period of seven years – dates and times of letters, phone calls, emails, conversations or any other correspondence.
 - Instances of debt are judged on an individual basis, with consideration of the nature of the debt and the circumstances of the family involved.
 - The privacy of the pupil and their family will be protected by all staff.

- The level of outstanding debt owed to the Trust or academy can be determined at short notice Limits for writing off debts

2.6 The ESFA requires the Trust obtain prior approval for the writing off of debts or losses that are over £45,000 per transactions. 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 Head of Finance and Resources and Accounting Officer will be responsible for gaining the necessary clearances from the ESFA.

2.7 Trust's financial scheme of delegation requires that the writing off of amount over £5,000 is approved by the Board of Directors. Amounts below £5,000 require approval by the Accounting Officer. Such approval will only be given after a recommendation by both the Headteacher and the Head of Finance and Resources.

3. Specific Debts

3.1. Lunch Money for pupil meals

3.1.1. Lunch money should be paid in advance. It is suggested that debts of more than a week should not be allowed to be built up, but each academy 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.

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

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

3.2. Trips and Educational Visits

3.2.1. For educational visits (part of the curriculum) 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

3.2.2. For non-educational school trips (e.g.: Not part of the curriculum) payment should be required before the pupil attends the trip.

3.3. Childcare

3.3.1 Nursery fees should be paid in advance.

3.4. Music Lessons

3.4.1. Music lessons should be paid for in advance. The academy 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.

3.5. Lettings

3.5.1. Any lettings be paid should be paid in advance of the activity taking place.

4. Goods and Services

4.1 In the case of any materials and services provided by the academy which are not paid at the point of sale, an invoice shall be raised and sent to the debtor, and a debtor's account created. The invoice should detail the payment required from the debtor to settle the invoice and the credit period; given i.e. an agreed length of time within which the debtor can pay the outstanding sum before debt recovery procedures are exercised.

5. Setting and recording 'credit period'

5.1 The Finance and Resources Committee agree a policy for the length of the credit period. This policy can vary credit periods granted, dependent on the nature and size of the debt.

- 5.2 In no circumstances should the agreed credit period exceed the shorter of:
- Thirty (30) days; or
 - in the case of the debtor being a parent or guardian of a pupil/pupils at an academy, the expected departure date of the pupil(s) from the academy.

5.3 If the LAB/STG agree to amend the credit period to a pre-existing debtor, this decision must be approved by the Trust Finance and Resources Committee. The debtor is not to be informed of any changes to their credit period until written confirmation has been provided to the LAB/STG by the Trust.

6. Declaring outstanding debt levels

6.1 The Headteacher and LAB/STG will review the level of outstanding debts every month to determine whether current debt levels are acceptable, whether policies regarding the granting of debt and collection of monies in advance are effective, and whether current methods and procedures to recover debts are effective.

7. Debt recovery procedures

7.1. Where there is an outstanding payment due following the end of the debtor's credit period, the following strategy will be adhered to: -

7.1.1 **Initial reminder** – the academy should correspond with the debtor informally: in person, by telephone, or by email to politely remind the debtor of the outstanding debt and payment terms. The academy must add correspondence details onto the academies financial management system. The academy should establish the nature of the payment delay and obtain agreement from the debtor to make payment within 14 days, this should be immediately followed up in writing. If no such agreement is received from the debtor, the academy should inform the Head of Finance and Resources, and take all reasonable steps to prevent any additional debt being created with the debtor (i.e. withhold goods or services being provided on credit).

7.1.2 **First letter** – where no payment has been received following 14 days of the initial reminder, an official, dated letter should be posted by to the debtor to acknowledge the initial reminder. This letter should follow the template as given in Appendix 1. The academy should inform the Head of Finance and

Resources, and take all reasonable steps to prevent any additional debt being created with the debtor (i.e. withhold goods or services being provided on credit).

7.1.3 **Letter before action** – where no payment has been received within 14 days of sending the first letter, a “Letter before Action” will be sent by recorded delivery. This letter should follow the template as given in Appendix 2. This will inform the debtor that failure to settle the debt within seven days will result in the debt being referred to Small Claims Court, and that legal costs incurred will be recharged to the debtor. This will be sent out by the Central Finance Team.

7.1.4 **Referral to Small Claims Courts** – where no payment has been received within 7 days of the Letter Before Action, the academy should inform the Central Finance Team including all correspondence and evidence of the debt. The matter shall be reviewed by the Head of Finance and Resources, with subsequent referral to the Small Claims Court, where it is considered to be the most appropriate course of action.

7.2. If the Headteacher or LAB/STG have reasonable suspicion that the debtor is refusing to pay without sufficient reason, the academy should inform the Central Finance Team immediately. In exceptional circumstances, the Trust may advise the academy to revise its approach to that set out in the Trust’s Debt Recovery Procedure Policy; such revisions will be confirmed in writing to the academy. The Trust’s Debt Recovery Procedure Policy should otherwise be followed.

8. Exceptional circumstances and remissions

8.1. The academy must ensure that parents and guardians of pupils are aware of the help the academy can extend to those in financial difficulty. Guardians who may be eligible for remissions are those in receipt of any of the following benefits:

- Universal Credit
- Support under part VI of the Immigration and Asylum Act 1999
- The guarantee element of State Pension Credit

8.2. In a case where there is, or it is suspected that there is, an overdue debt from a family who may qualify for remissions.

8.3. The LAB/STG is not guaranteed to, but may decide to waive or reduce the outstanding debt in these circumstances. Any decision to waive or reduce the outstanding debt must also be approved by the Trust's Head of Finance and Resources.

9. Waiver of debt

- 9.1. In addition to the remission allowances outlined in Section 6 of this policy, it may be advisable to waive or partially waive debts where it is deemed that it does not make financial sense to continue allocating time and resources to pursuing.
- 9.2. The LAB/STG will review with the Trust any case where a debt waiver is being considered. The Trust's Head of Finance and Resources will come to a decision on whether to propose the waiver, or partial waiver, of debts based on the value of costs versus value of the debt; this proposal will be reviewed by the Trust's Finance and Resources Committee and their decision will be reported to the next meeting of the LAB/STG.
- 9.3. The Trust and academy will retain a Bad Debt Write-Off Summary. Any written off debt may still be collected: in this event the Trust's Head of Finance and Resources should be informed to reverse the write-off of the debt.
- 9.4. Any debtors who have previously had their debt written off as irrecoverable, should not be granted subsequent credit without first settling their outstanding debt.
- 9.5. In the event of the writing off of any bad debt, the VAT element of any debt must not be written off, as this contravenes HM Revenue & Customs statutory requirements.
- 9.6. The Head of Finance and Resources is responsible for notifying the ESFA of any debt written off that is over £1,000 in value.

10. Monitoring and review

- 10.1. The Trust's Debt Recovery Policy will come under review every two years and changes vis-à-vis any updated legislation will be made accordingly.

[Appendix 1 – first debtors’ letter – DELETE BEFORE SENDING]

[Debtor Name]
[Debtor Address]

[Date]

Dear [Debtor Name]

Outstanding debt – [Debtors Account Number]

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

This comprises:

[Breakdown of invoice numbers and amounts]

You have exceeded our credit period of [give length of credit period] and payment within the next 14 days is requested. If you wish to speak to the finance office about the overdue balance, please contact [appropriate academy staff member/position] on [insert contact number].

Yours sincerely,

[Name]
[Position]
[Name of Academy]

[Appendix 2 – Letter before action – DELETE BEFORE SENDING]

Insert Academy Logo



[Date]

Dear [Debtor Name]

LETTER BEFORE ACTION

Outstanding debt – [Debtors Account Number]

Further to our letter dated [insert date], I have not received a response, or payment for [insert invoice date and number]

The Trust will take all steps necessary to recover amounts owing to the organisation. Unless we receive payment within 7 calendar days, we shall be forced to refer the debt to Small Claims Court for recovery, which will incur additional costs for the action taken. If you wish to speak to the Trust finance office about the overdue balance, please contact the Head of Finance and Resources on 01584 838880.

Yours sincerely,

[Name]
[Position]
[Name of Academy]