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## **Debt Recovery Policy**

### 1. **General Requirements**

Hutton CE VC Primary School (hereafter referred to as "the School" in this document) 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.

The School's debt recovery policy will observe the relevant financial regulations and guidance set out in the Academies Financial Handbook (AFH) and also the details contained in the Kaleidoscope MAT Finance Policy.

In particular:

- The Executive Headteacher may write off debts up to the value of £100 without further authorisation.
- the Governing Body of Hutton CE VC Primary School (hereafter referred to as "the Governing Body" or collectively as "the Governors" in this document) may write-off any debt belonging to the school between the value of £100 - £500.
- Debts between £500 and £1000 should be referred to the MAT Principal Finance Officer (PFO).
- Debts over £1000 must be referred to the MAT CEO, and the Trust Board must be notified if these debts are then written off.
- In very exceptional circumstances, the ESFA must be notified (as per the AFH) of any very large bad debts (over £45k). In practice this situation is unlikely to arise.
- 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).
- the school may consider legal action to recover debts, but will refer to the PFO for advice.

In general payment for all goods and services supplied by the School should be collected in advance or 'at the point of sale'.

The procedures to secure the collection of all debts are outlined in paragraphs 3 to 5.4 and should be followed by all School staff.

### 2. **Acceptable 'Credit Period'**

The Governing Body must determine the length of time they deem as an acceptable 'credit settlement period' before the debt recovery procedures are applied.

The Governing Body may consider that an 'acceptable' credit period may vary between different income generating activities; for example;

- School lettings;
- School Meals.
- Breakfast and After School Clubs

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The Governors may have stipulated a maximum settlement period for school lettings in a separate 'Lettings policy'. However, in order to ensure a consistent approach and demonstrate transparency, the 'acceptable' period for each activity should be stipulated in this policy.

Debt recovery procedures should be applied in accordance with item 4 of this policy.

### 3. Reporting of Outstanding Debt Level

The Executive Head 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 school in order that it can be determined at any time and reported to the Resources Team.

The Resources Team will review the level of outstanding debts twice a year to determine whether this level is acceptable and whether action to recover debts is effective.

## 4. Debt Recovery Procedures

4.1 Where payment from the parent/guardian has not been received in advance, or 'at the point of sale', the following process should be applied:

- (a) An invoice should be issued for the full amount in order to officially set up the debt. Where invoices are raised they should state the date (day, month and year) by which payment is due. Invoices are not usually raised for parents.
- (b) In all other cases, such as (but not exclusively) correspondence with parents:
  - the maximum period that the School regards as reasonable before payment is overdue should be clearly stated, for example "contributions for a school trip should be received by day, month and year"
  - payment for items purchased should be sent to the school office by that date
- (c) A record of all goods and services will be maintained detailing:
  - type of good/services supplied e.g. dinner money, trip money;
  - value;
  - date(s) good/services supplied; and;
  - the identity of the 'debtor', e.g. child, parent, hirer, etc.

## 5. Verbal and Written Reminders

5.1 Details of all reminders, whether verbal or in writing, should be maintained. 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.

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## 5.2 Initial 'overdue payment' reminder

Once payment for a debt is overdue an initial informal reminder may be made, either in person (e.g. when a parent/guardian comes to collect/drop off a child), or by telephone.

In general, the school office will notify the parent/guardian after having built up a good relationship with the parents.

The date of the initial reminder should be recorded.

## 5.3 First 'overdue payment' reminder letter

A formal 'overdue payment' reminder letter should be issued 2 weeks after the date by which payment was due.

*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 first formal 'overdue payment' reminder should be recorded.

## 5.4 Second 'overdue payment' reminder letter

A second formal 'overdue payment' reminder letter will be issued 2 weeks after the date of the first formal 'overdue payment' reminder letter.

The letter will request immediate payment and / or a meeting with the Executive Headteacher if over £50.

The date of the second, formal, 'overdue payment' reminder letter should be recorded.

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

If, after 2 formal 'overdue payment' reminder letters, a response or payment is not received, at the discretion of the Executive Headteacher, the debtor may be advised that they will be required to pay in advance for all future supplies or the supply will no longer be available to them e.g. they may not be allowed to take school dinners, but must bring in sandwiches or attend Clubs.

The school will then continue to chase up the debt, and may consider other measures, depending on the value of the debt (with reference to the PFO).

## 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 formal 'overdue payment' reminder.

However, if people are unable to pay;

The School 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 debt – where someone owes more than one debt to the School. In this situation an attempt to agree one repayment plan to include all debts will be established.

If a debtor requests 'repayment terms' these may be negotiated at the discretion of the Executive Headteacher. 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 Executive Headteacher 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.

This decision and its basis will be recorded and reported to the Resources Team.

#### 8. Costs of debt recovery

Where the school incurs material additional costs in recovering a debt then the Executive Headteacher will decide whether to seek to recover such costs from the debtor. This should be referred to the PFO for advice.

The debtor will be formally advised in writing that they will be required to pay the additional costs incurred by the school in recovering the debt.

This decision and its basis will be recorded and reported to the Resources Team.

#### 9. Policy Review

This debt recovery policy should be cross-referenced to the MAT Finance Policy.

This policy will be reviewed and approved periodically by the Resources Team and reported to the Full Governing Body.



Signed by: 5/7/21

