



# DEBT RECOVERY POLICY

Version 1 – August 2015

## **St Alban Catholic Academies Trust**

### **Debt Recovery Policy**

#### **1. General Requirements.**

The Trust/School 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 Trust's debt recovery policy will observe the relevant financial regulations and guidance set out in the Academies Financial Handbook and any other legal requirements. In particular:

- the Trust's Finance Committee will approve the write-off of all debts, stocks, stores and surplus assets.
- all such write-offs will be recorded in the minutes of the Trust's Finance Committee.
- 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 will seek the advice of the Trust's Solicitors should they consider taking legal or other action to recover the debt.

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

The procedures to secure the collection of all debts are outlined below and should be followed by all School staff.

#### **2. Acceptable 'credit period'.**

The Trust's Finance Committee must determine the length of time they deem as an acceptable 'credit settlement period' before the debt recovery procedures are applied.

The Trust's Finance Committee may consider that an 'acceptable' credit period may vary between different income generating activities; for example;

- School lettings;
- Trips and activities.

The Trust 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 levels.**

The CFO 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 Trust Finance Committee and the Local Governing Body.

The CFO / the Trust Finance Committee will review the level of outstanding debts every term to determine whether this level is acceptable and whether action to recover debts is effective.

*(Monitoring of outstanding debts may be differentiated by type, e.g. if lettings debts prove more of a problem then the frequency and degree of monitoring should reflect this).*

#### **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 on official school stationery for the full amount in order to officially set up the debt;  
Where invoices are raised they should state the date by which payment is due (date/month/year).
- (b) In all other cases, such as;
  - correspondence with parents, etc. 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 date/month/year.
  - payment for items purchased should be sent to the school office by date/month/year.
- (c) A record of all goods and services will be maintained detailing:
  - type of good/services supplied;
  - value;
  - date(s) good/services supplied; and;
  - the identity of the 'debtor', e.g. 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.

**5.2 *Initial 'overdue payment' reminder.***

An initial reminder may be informal and can be made either in person (when a parent/guardian comes to collect/drop off the child), or by telephone.

In general, a member of the Finance Team will notify the parent/guardian.

The date of the initial reminder should be recorded.

### **5.3 First 'overdue payment' reminder letter.**

A formal reminder letter should be issued 2 weeks after the informal reminder / the date of supply.

*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.

### **5.4 Second 'overdue payment' reminder letter.**

A second reminder letter will be issued 2 weeks after the First Reminder Letter.

The date of the initial reminder should be recorded.

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

If after 2 reminders, a response or payment is not received, a letter will be sent to the debtor advising them that the matter will be referred to the Trust's Solicitors. At the discretion of Headteacher/CFO /Trust's Finance Committee 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.

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

### **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 Trust/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 Trust/School. 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 'repayment terms' these may be negotiated in the first instance at the discretion of the Headteacher /CFO / Trust Finance Committee.

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 Headteacher/ CFO / Trust Finance Committee 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 Trust's Board of Directors.

**8. Costs of debt recovery.**

Where the Trust/School incurs material additional costs in recovering a debt then the Headteacher/ CFO / Trust Finance Committee 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 school in recovering the debt.

This decision and its basis will be recorded and reported to the Trust's Finance Committee and Board of Directors.

**9. Bad debts.**

This debt recovery policy should be cross-referenced to the SACAT Scheme of Delegation/SACAT Financial Regulations Handbook as well as the EFA Academies Financial Handbook.

Write-off of any debt requires the written approval of the Trust's Finance Committee.

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

**10. Policy Review**

This policy will be reviewed and approved annually by the Trust's Board of Directors.

