

2019 -2021

Potential in Everyone Academy Trust
CEO – David Whitehead



Debt Recovery Policy

Committee	Board of Directors
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Signature	
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Associated Documentation	
Trust Financial Regulations	

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Part A – Policy

1. Policy Statement

The aim of this policy is to ensure Potential in Everyone Academy Trust correctly accounts for bad debts and redundant equipment.

This policy observes the relevant financial regulations and guidance set out in the current Academies Financial Handbook, the Trust's Funding Agreement with the Secretary of State, the Trust's Scheme of Delegation, and Trust Financial Regulations

2. Scope of the policy

This Policy and Procedure applies to all current Employees of Potential in Everyone Academy Trust.

3. Adoption Arrangements and Date

This policy was adopted by the Board of Directors of Potential in Everyone Academy Trust on 12 July 2019 and supersedes any previous policy.

4. Review of the Policy

This policy will be reviewed on an ongoing basis in line with best practice and legislative requirements and will be reviewed by the Board of Directors annually or earlier if there is the need.

5. Responsibilities of the Trust

The Board of Directors has delegated responsibility to the Audit, Finance and Staffing Committee to approve the write-off of all debts, stocks. Stores and surplus assets and all such write-offs will be recorded in the minutes of the committee.

A formal record of any debts written off will be maintained by the Trust Business Manager and the record maintained for 7 years.

6. Responsibilities of Employees

The process to secure the collection of all debts is outline in this policy and should be followed by all staff.

7. References to Other Sources of Information

Academies Financial Handbook <https://www.gov.uk/government/publications/academies-financial-handbook>

Part B – Process

8. Acceptable “Credit period”

In general, payment for all goods and services supplied by the Trust should be collected in advance or ‘at the point of sale. Invoices will be generated by the Trust’s accounting system wherever possible. If this is not possible, a manual ledger of debtors will be kept. However, for segregation of duty to ensure sound internal control, employees who raise debtor accounts will not also have the authority to write off debts.

Unless specifically detailed on the invoice, payment terms will be 30 days.

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

9. Monitoring of outstanding debts

9.1 Trading Accounts – Nursery, Breakfast and After School Clubs, Catering

- The Headteacher and Trust Finance Manager will review the level of outstanding debts every term
- Details of all reminders, whether verbal or in writing, must be maintained.
- If parents/carers fail to honour the agreement, or if no repayment agreement can be secured, an invoice must be raised on the Trust’s accounting system for the full amount, stating the date by which payment was due, to officially set up the debt.
- The Headteacher in liaison with the Trust’s Family Liaison Team will ascertain if there are any welfare issues which might prevent debt recovery. If the family is suffering from financial hardship an affordable repayment plan will be offered and they will be signposted to seek help and advice from a body such as Citizens Advice.
- Where payment from the parent/carer has not been received in advance or ‘at the point of sale’, the following process will be applied:
 - Initial overdue payment reminder.
 - The Headteacher must speak to the parent/carer and explain the requirement for the debt to be repaid, agreeing a reasonable repayment plan where necessary. This initial ‘overdue payment reminder’ may be informal and can be made either in person (when a parent/care comes to drop off/collect the child), or by telephone. The date of the initial reminder must be recorded.
 - First ‘overdue payment’ reminder letter (appendix 1b).
 - A formal reminder letter must be issued 2 weeks after the informal reminder. 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
 - Failure to respond to reminders/settle a debt letter (appendix 1c) sent by recorded delivery.
 - 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 legal advisers. The debtor will 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

9.2 Services/Suppliers

All debts will be recorded, and non-payment will be followed-up by issuing reminders as follows:

- 1st overdue payment reminder (Appendix 2a)
 - A formal reminder letter must be issued 3 weeks from the date of account.
- 2nd overdue payment reminder (Appendix 2b)
 - A second formal reminder letter must be issued 6 weeks from the date of account.
- Failure to respond to reminders/settle a debt letter (Appendix 2c – sent by recorded delivery).
 - If after 2 reminders, a response or payment is not received, a letter will be sent to the debtor 8 weeks from the date of account advising them that the matter will be referred to the Trust’s legal advisers. The debtor will 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

Should a debt be taken beyond two reminder letters, formal evidence may have to be produced. Details of all reminders, whether verbal or in writing, but be maintained. Copies of letters issued, and proof of posting/tracking details must be retained on file.

10. 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 someone is unable to pay, the Trust may reduce or cancel a

debt in certain circumstances. An appropriate and balanced 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 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. 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, unless the Trust Finance Manager believes a phased repayment term would optimise the chances of recouping funding.
- If a debtor requests 'repayment terms' these may be negotiated at the discretion of the Trust Business Manager.
- A record of all 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 Trust Finance Manager 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 Audit, Finance and Staffing Committee
- Where the debt is owed by a company or sole trader interest will be charged at net present value until settled in full.

11. Costs of Debt Recovery

Where the Trust incurs material additional costs in recovering a debt then the Trust Finance Manager will decide whether to seek to recover such costs from the debtor, taking advice from the Chief Finance Officer.

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

This decision and its basis will be recorded and reported to the Audit, Finance and Staffing Committee

12. Bad Debts

If after 10 weeks payment is still not forthcoming, then legal action will be considered, and the debtor informed of this in writing.

If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual irrecoverable debts may be written-off in accordance with the following procedure:

- Those up to the value of £500 to be approved by the Chief Executive Officer and reported to the next meeting of the Audit, Finance and Staffing Committee
- Those exceeding £500 and up to £5000 to be referred to the Audit, Finance and Staffing Committee for approval.
- Those exceeding £5000 but less than the ESFA limit for approval must be referred to the Board of Directors for approval

The ESFA's prior approval must be obtained for the following transactions beyond the delegated limits of the two categories set out below:

- writing-off debts and losses and any uncollected fines; and
- Entering into guarantees, letters of comfort or indemnities.

The delegated limits are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
- cumulatively, 5% of total annual income in any one financial year.

As the Trust is not VAT registered there will be no issue regarding the write off of VAT. However, if in the future the Trust does become VAT registered then any VAT element of the debt cannot be written-off, as this contravenes HM Customs and Revenue statutory regulations.

13. Redundant Equipment

From time-to-time, furniture and equipment becomes obsolete because changes in personnel or working arrangements make the items surplus to requirements, and outdated items restrict the Trust's ability to provide

adequate service or maintenance becomes too expensive. As a result, the Trust needs to dispose of such items.

It is Potential in Everyone Academy Trust's policy not to see old equipment as faulty goods can be returned under the sale of goods act

When disposing of any item of equipment Trust officers should recycle or reuse equipment within the Trust wherever this will offer value for money, ensure that the equipment is disposed of properly in accordance with environmental and health and safety law (including product safety) and that the transactions are recorded.

IT equipment must be re-cycled via a reputable company, cleaned of all software and reset to manufacturer's settings by the Trust's IT department, ensuring that all personal data is wiped.

A list of equipment disposed-of will be presented to the Audit, Finance and Staffing committee at their next meeting. This list will show, as far as is known, the item, date of manufacture or purchase, values when new and when made redundant. The Trust's Fixed Asset Register will be amended to show disposals and such entries will be endorsed by the CEO.



Appendix 1a: (School) First Overdue Payment Reminder Letter

[date]

Dear Parent / carer

Overdue payment for XX

[School name] seeks to ensure that all parents and carers make a fair and equitable contribution to their child's education.

If debts are incurred, then the school budget must pay for them. This means that money which should be spent on the children's education is used to pay for debts incurred by parents. I am sure every parent will agree that this is unacceptable, and we request that all parents give this policy their full support.

Parents/Carers must pay in advance wherever there is an associated cost, but you have still not provided payment for XXX.

If your family is suffering from financial hardship please do contact me to discuss options, one of which is an affordable repayment plan. You are strongly recommended to seek help and advice from a body such as Citizens Advice, who can be contacted at [].

FOR SCHOOL DINNER DEBT If parents believe that their children may qualify for entitlement to Free School Meals, please contact the office for more details. This allowance is a statutory right and it is important that you use it if you qualify. We will help you all we can with your application. You should also be aware that securing your free entitlement increases the funds available to your school.

If a parent genuinely forgets to pay in advance, the school may grant a debt allowance of 5 meals. However: these must be paid for and any future meals must be paid for in advance.

If the debt is not cleared, parents must either provide a packed lunch or maybe take the child home for lunch. In a case when a debt payment is not received nor a packed lunch provided, the school will always phone the parent to ask them to come to school with the money. Otherwise they must provide sandwiches before lunch time or arrange to take their child home for lunch.

If payment of the debt is not received, the Headteacher will ask you to attend a meeting to discuss the matter, and we reserve the right to begin legal proceedings to recover the debt.

Our policy enables us to help parents manage their financial responsibilities to school better and at the same time ensure that all money that is provided by the Government for children's learning is available for that purpose.

If you have any concerns, please don't hesitate to contact me

Yours sincerely

Headteacher



Appendix 1b: (School) Second Overdue Payment Reminder Letter

[date]

Dear Parent/carers

Second overdue payment letter

Further to my letter dated DD/MM/YYYY, our records show that you have still not paid outstanding monies owed to the school for your child xxxxxxxxxxxxxx Class: xx.

As at DD/MM/YYYY your account is showing a debt of £xxxx

Please arrange for this money to be paid within 5 working days, once the debt is cleared please ensure the account is always in credit. If your family is suffering from financial hardship please do contact me to discuss options, one of which is an affordable repayment plan. You are strongly recommended to seek help and advice from a body such as Citizens Advice, who can be contacted at [].

The breakdown of this outstanding debt is as follows:

XXXX
XXXX
XXXX

We have a strong commitment to partnership working at our school and I would strongly encourage you to arrange a visit to school to discuss this issue and agree a repayment plan so that we can resolve this matter urgently.

If you have any queries regarding these arrears, please contact the school office immediately

Yours sincerely

Headteacher



Appendix 1c – (School) Failure to respond to reminders/settle a debt

[date]

Dear Parent/carer

Failure to respond to reminders/settle a debt

Further to my letters dated DD/MM/YYYY and DD/MM/YYYY, our records show that you have still not paid outstanding monies owed to the school for your child xxxxxx Class: xx.

As at DD/MM/YYYY your account is showing a debt of £xxxx

Please arrange for this money to be paid within 5 working days, once the debt is cleared please ensure the account is always in credit.

The breakdown of this outstanding debt is as follows:

XXXX
XXXX
XXXX

If your family is suffering from financial hardship please do contact me to discuss options, one of which is an affordable repayment plan. You are strongly recommended to seek help and advice from a body such as Citizens Advice, who can be contacted at [].

We have a strong commitment to partnership working at our school and I would strongly encourage you to arrange a visit to school to discuss this issue and agree a repayment plan so that we can resolve this matter urgently.

The school reserves the right to begin legal proceedings to recover the debt (*FOR SCHOOL MEAL DEBT ONLY - and to inform social services of our concerns that you are not providing a meal for your child at lunch time.*). The school will be asking the Trust's solicitors to commence measures to recover the debt (which may include court proceedings) if we not hear from you by DD/MM/YYYY.

If you have any queries regarding these arrears, please contact the school office immediately.

Yours sincerely

Headteacher



Appendix 2a: (Supplier/Service) First Overdue Payment Reminder Letter

[date]

[Contact Name
Address

City
Postcode]

Notice of Overdue Payment

Dear [contact name]

Our records indicate that payment on your account for invoice [NUMBER] is overdue in the amount of [AMOUNT]. If the invoice has already been paid, please disregard this reminder. If you have not yet paid your invoice, please do so within the next 5 working days.

If you wish to make your payment by BACs, our details are:

[ACCCOUNT NAME]
[SORT CODE]
ACCOUNT NUMBER]

If there is a problem regarding your account, please telephone me on the number below, to that we can discuss the situation.

Thank you in advance for your cooperation in this matter

Yours sincerely

Trust Finance Manager

Cc [COPY INVOICE]



Appendix 2b: (Supplier/Service) Second Overdue Payment Reminder Letter

[date]

[Contact Name
Address

City
Postcode]

Notice of Overdue Payment

Dear [contact name]

On [DATE OF REMINDER], we informed you of your outstanding balance. To date, we have not received payment for invoice, nor have you contacted us to discuss your account. The following outstanding invoice is now 6 weeks overdue.

Invoice date: [INSERT ORIGINAL DATE OF INVOICE]

Invoice Number: [INSERT INVOICE NUMBER]

Invoice Amount: [INSERT INVOICE AMOUNT]

Please contact our office as soon as possible so we do not have to continue further collection efforts. Please act promptly and make your payment in full immediately or contact me to discuss other financial arrangements.

If you wish to make your payment by BACs, our details are:

[ACCOUNT NAME]

[SORT CODE]

ACCOUNT NUMBER]

I look forward to resolving this matter soon

Yours sincerely

Trust Finance Manager

Cc [COPY INVOICE]



Appendix 2c: (Supplier/Service) Failure to Respond to Reminders/Settle a Debt Letter

[date]

[Contact Name
Address

City
Postcode]

Notice of Overdue Payment

Dear [contact name]

We have tried to contact you on two occasions regarding the following unpaid invoice which is now 8 weeks overdue.

Invoice date: [INSERT ORIGINAL DATE OF INVOICE]
Invoice Number: [INSERT INVOICE NUMBER]
Invoice Amount: [INSERT INVOICE AMOUNT]

This matter has now reached a critical point and we require immediate payment of this amount to avoid further action. Please contact me immediately to advise when we can expect payment of this outstanding amount.

The Trust will be asking the Trust's solicitors, Stone King, to commence formal debt recovery procedures if we not hear from you by [DD/MM/YYYY].

Yours sincerely

Trust Finance Manager