

Debt Recovery Policy



Governors Review Body: Strategy & Finance Committee

Responsibility: J. O'Sullivan

Reviewed: March 2021

Next Review Date: March 2023

1. General requirements

The 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 school's debt recovery policy will observe the relevant financial regulations and guidance set out in the Scheme for Financing Schools and any other legal requirements. In particular:

- the Governing Body will not write-off any debt belonging to the school which exceeds £500

Any sums above £500 will be referred to the Lead Finance Business Partner for approval for write-off.

- 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). An annual list of debts written off should be sent to the Lead Finance Business Partner.
- If a school is unable to collect debts through procedures as listed in sections 4 and 5 of this policy, legal action can be taken.
- the school will NOT write-off any debt belonging to the Local Authority or another party, e.g. debts for school meals. If in doubt as to the appropriate action to collect any such debts the school will seek advice promptly from officers of the Local Authority.

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 2.4 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; 1 month credit period
- School Meals; Acceptable credit £10
- Extracurricular Trips and activities. 1 month credit period

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

3. Reporting of outstanding debt levels

The Head teacher will ensure that the level of outstanding debt is regularly monitored. Once all reasonable courses of action have been taken to recover monies where an invoice has been raised, a governing body may write-off the income if the outstanding amount on the invoice is **less than £500**. Where the amount outstanding on the invoice exceeds £500 the write-off should be approved by the Lead Finance Business Partner.

An annual report is required listing the debts written off by Governing Bodies. 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 Finance Committee.

The Finance Committee will review the level of outstanding debts every half term to determine whether this level is acceptable and whether action to recover debts is effective. An annual report is required listing the debts written off by Governing Bodies. The Governing Body should take this decision itself and present an annual list of items written off should be sent to the Lead Finance Business Partner.

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.

The overdue amount should be raised as a debit on the school payment account. The date the debit is raised is the due date. For school meals parents are advised to make payment in advance and the debit raised on the parentpay account is the due date.

(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.
- If payment is not forthcoming the process detailed in 4.1(a) should be applied.

(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. 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.

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, email or school app.

In general, Finance Assistant or in the case of school trips the Receptionist, 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 reminder letter should be issued 2 weeks after the informal reminder / the date of supply or when the debt reaches £10.

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 1 week after the First Reminder Letter.

The date of the initial reminder should be recorded.

In the case of school meals, if the debt is not settled within 2 days of the second reminder then we will ask the parent to provide a packed lunch or the child taken home for lunch. If a child comes to school without the debt having been cleared and orders a hot meal, then the school office will telephone the parents to make alternative arrangements for lunchtime. If the parent does not make necessary arrangements, then the school may refer the family to Social Services under the child protection procedures.

6. Failure to respond to reminders / settle a debt

If there is no response to the second 'overdue payment' reminder letter the debtor will be invited to meet with the headteacher to discuss how the debt will be settled. Failure to respond to letters and/or failure to attend this meeting will result in the school passing the debt to an external debt collection agency. The debtor will be advised that their child will no longer be able to order hot school meals from the school and this decision will be reported to the Finance Committee.

If a mutual agreement cannot be reached or if any agreed repayment is missed the debt will be transferred to an external debt collector to recover any outstanding sum.

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 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.

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 for 'repayment terms' these may be negotiated at the discretion of the Business Manager or 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 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 Finance Committee.

8. Costs of debt recovery

Where the school incurs material additional costs in recovering a debt then the 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.

The decision and its basis will be recorded and reported to the Finance Committee

9. Bad debts

This debt recovery policy should be cross-referenced to the Scheme for Financing Schools.

Write-off of any debt over £50 requires the written approval of the Finance Committee up to a maximum of £500. Debt below this amount can be written off by the Business Manager and Headteacher according to the limits in the Finance Policy.

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 every 2 years by the Strategy & Finance Committee.

