

# **Draft Trust Debt Recovery Policy**



## **Francis of Assisi Catholic Academy Trust**

**Signed off by: Trust Board**

**Date from: September 2023**

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- 1 Overview**
- 2 Objectives**
- 3 Limits for writing off debts**
- 4 Acceptable credit period**
- 5 Reporting of outstanding debt levels**
- 6 Recording of goods or services supplied where payment is not received in advance or 'at the point of sale'**
- 7 Reminder process**
- 8 Negotiation of repayment terms**
- 9 Cost of debt recovery**
- 10 Bad debts**

## **1 Overview**

The St Francis of Assisi Catholic Academy Trust sets out in this policy the framework for collection of debts due to the Trust and the Academies within it. The Trust will take all reasonable measures to vigorously collect debts as part of its management of public funds. A debt will only be written off only after all reasonable measures (commensurate with the size and nature of the debt) have been taken to recover it. Any debts written off will comply with section 5.19 and section 5.20 of the Academies Trust Handbook and ensure ESFA prior approval is sought where relevant.

The Trust's debt recovery policy will observe the relevant financial regulations and guidance set out in the Academies Trust Handbook as outlined above as well as observing the Trust Financial Regulations.

Any money owed to the St Francis of Assisi Catholic Academy Trust has an impact on the budget and may affect the resources that the Trust can provide to all its pupils.

## **2 Objectives**

The main objective of this policy is to ensure a process is in place for all Trust staff to follow to ensure the collection of all debt due to the Trust is achievable. This ensures the protection of public funds.

Trust staff are expected to follow the following procedures outlined in this policy to ensure the collection of all debts due to the Trust.

## **3 Limits for writing off debts**

The following write off limits apply and approval is required as follows:

- ✓ Up to £100 – Head Teacher
- ✓ Over £100 - £500 – Local Governing Board
- ✓ Over £500 - Trust Board and CEO
- ✓ ESFA approval is required if amount being written off is 1% of total income or £45k (whichever is smaller) per single transaction

A Formal record of any debt written off must be maintained and will be retained for 7 years.

## **4 Acceptable credit period**

The Trust Board has determined that one week is an acceptable 'credit settlement period' before the debt recovery procedures are applied. Where the Trust enters into a service level agreement to deliver goods or services, with another entity the payment terms will be agreed prior to the SLA coming into effect.

## **5 Reporting of outstanding debt levels**

The Finance leads at each Academy in the Trust will ensure that the level of outstanding debt in each Academy is monitored regularly. The CFO will monitor the levels of debt at Trust level.

All Local Finance Committees receive monthly management accounts, which include Aged Debtors reports and any other significant debts, must be raised at these meetings via either a verbal update or within a debt report. The Trust Directors will be provided with Aged debtors reports each month within the management accounts and any specific outstanding debts that need to be brought to the attention of the Directors will be outlined by the CFO at the Admissions, Finance, Risk and Audit Committee Meetings in the CFO Report.

## **6 Recording of goods or services supplied where payment is not received in advance or 'at the point of sale'.**

A record will be kept of all such supplies that details what was supplied, the value, the date(s) and the identity of the 'debtor', e.g. Pupil, Parent, Hirer, Staff member etc.

Where sales invoices are raised these should clearly state the date by which the payment is due. In all other cases there should be clear correspondence with parents and this correspondence should indicate the maximum period that the school regards as reasonable before payment is overdue e.g. trip letters should clearly state when the cut off period for the trip is and when payment must be received by in order for a student to attend the trip. Payments should be made by parents via the online cashless system that the Academies within the Trust use e.g. ParentPay, Parent Mail, Schoolcoms etc.

## **7 Reminder process**

### **Initial reminders**

#### **Primary School**

Initial reminders may be informal and made either in person when a parent comes to collect or drop off their child or via email/telephone. The reminders will outline the payment that is overdue and the amount that is owed. The initial reminder should be communicated when the debt becomes overdue.

#### **Secondary School**

Initial reminders will be informal via an email or telephone call outlining that the payment is overdue and the amount that is owed.

#### **First reminder letter**

A formal first reminder letter should be issued one week after the initial reminder was communicated. If further action is required then 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.

#### **Second reminder letter**

A second reminder letter will be issued one week after the first reminder letter is issued.

#### **Usage of reminder letters**

Should a debt need to be taken beyond two reminder letters due to no receipt being made, formal written evidence may have to be produced. As a result of this it is therefore important that at least one, but preferably two, written reminders are sent. Details of all reminders, whether they be verbal or in writing should be maintained. Where letters are issued to chase debt, copies of these letters must be retained on file.

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

If no response is received as a result of the reminders issued, the issue will need to be raised with the Local Governing Board in the first instance and then the Trust Board if no solution can be found to obtain payment of the debt.

Each Academy in the Trust will make every effort to work with parents to prevent debts mounting up.

## **8 Negotiation of payment terms**

It is the expectation of the Trust that debtors should settle the amount owed in a single payment as soon as the initial reminder is undertaken. Arrangements for part payments must be considered by the Finance Lead at each Academy on a case by case basis. Any part payment arrangement must be strictly followed if permitted. Any parties with debt owed to the Trust will be advised that they will be required to pay in advance for all future supplies until their debt has been settled.

## **9 Cost of debt recovery**

Where the Trust incurs material additional costs in recovering a debt then the Finance lead at the Academy and their Local Finance Committee will need to decide whether further action is required i.e. seek to recover the debt 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 academy in recovering the debt. This decision and its basis will be recorded and reported by the Finance Lead and Local Finance Committee.

## **10 Bad debts**

The Trust may reduce or cancel a debt but only in certain specific circumstances. A sensitive approach to debt recovery will be followed, taking the following factors into account:

- ✓ Hardship – where paying the debt would cause financial hardship for the debtor.
- ✓ 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.
- ✓ Ill Health – where our recovery action might cause or further exacerbate existing ill health.
- ✓ Cost – where the value of the debt is less than the cost to the Trust of recovering it.

If all debt recovery procedures have been followed and the debt has still not been recovered, the Trust must consider write off of the debt and must refer to section 3 of this policy before any debts are written off. Any debts written off will be recorded as a bad debt expense and will need to be accounted for as a cost to the Trust.