



Humber Education Trust

Debt Recovery Policy

Approved By:	
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Created on:	March 2018
Amended on:	March 2020
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1. **General requirements**

Humber Education Trust 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 debt recovery policy will observe the relevant financial regulations and guidance set out in the Academy Financial Handbook.

- the Trust Board 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 board
- 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).

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 below and should be followed by all School staff.

2. **Acceptable 'credit period'**

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

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

- School lettings;
- Trips and activities.

The trustees 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 Head teacher and Chief Financial Officer 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 local governing body and then the Finance and Resources committee.

The Finance & Resources 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, the *School Secretary / Administrator / Bursar / Finance Assistant* 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.

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 school's legal advisers. At the discretion of the CFO and Finance & Resources 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 Finance and Resources Committee

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 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 'repayment terms' these may be negotiated at the discretion of the Headteacher and CFO.

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 Head teacher and CFO 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 & Resources Committee.

8. Costs of debt recovery

Where the school incurs material additional costs in recovering a debt then the Finance & Resources 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 Finance & Resources Committee.



9. Bad debts

The Chief financial Officer on behalf of the Academy Trust must provide 30 days' notice to the Secretary of State for Education of its intention to write off any debts owed to it as set out in the Schools Funding Agreement. This notice is required whether or not the circumstances require the Secretary of State for Education's approval (see below).

Those debts *below* the value set out in the annual Academies Financial Handbook can then be approved and written off by the Finance & Resources Committee and reported to the next meeting of the Trust Board.

Any proposed write off of debts *above* the value set out in the annual Academies Financial Handbook require the prior written consent of the Secretary of State for Education in accordance with section 82 of Schools Funding Agreement.

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

Write-off of any debt requires the written approval of the Trust Board.

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 Board,

Signed:

Chair of Finance & Resources Committee

Date:

Signed:

Chair of Trust Board:

Date:

