



## **DEBT RECOVERY POLICY**

**THIS POLICY APPLIES TO ALL TRUST SCHOOLS, THE CARMEL TEACHER TRAINING PARTNERSHIP AND CARMEL TEACHING SCHOOL ALLIANCE**

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## 1 Introduction

In order to maximise the recovery of debts and the efficiency of its financial systems and controls, Carmel Education Trust ("The Trust") is committed to reducing the amount of transactions that are settled by cash.

As part of its sound financial management procedures, the Trust will take all reasonable measures to collect debts. A debt will be written off only after all reasonable measures have been taken to recover it.

The Board of Directors considers that appropriate recovery action will depend upon the level of and nature of the debt and those procedures will vary depending upon the income source – i.e.

- Pupil related – e.g. school meals, trips and activities and
- Commercial – e.g supply of services and lettings

A record of all actions taken in the recovery of debt must be maintained and provided to the Trust Business Manager (Debt Recovery Record).

## 2 Pupil related income

### 2.1 Collection of income

All income is collected in advance, wherever possible. Costs of trips and activities will be notified to parents/carers as soon as possible.

### 2.2 Debt Recovery Procedure

- Stage 1 >£50 gentle reminder letter issued
- Stage 2 personal contact
- Stage 3 dependent upon the circumstances a legal letter may be issued.

### 2.3 Debt Write-Off

The **Principal/**Headteacher of each Academy has discretion to write-off debts up to the value of £50. A record must be maintained to show the reason for the write-off, the action taken to recover the debt and the authorising signature.

Records must be provided to the Trust Business Manager who will report all debt write-offs to the Resources Committee

The Resources Committee must grant approval for the write-off of all debts above £50.

### **3 Commercial income**

#### **3.1 Invoicing and payment periods**

Income will be collected in advance of services provided wherever possible. Invoices will be raised through the FMS and payment is requested in full within 30 days of being issued.

#### **3.2 Debt Recovery Procedures**

- **Stage 1 (8 weeks from date of invoice) Informal reminder letter**
- **Stage 2 (12 weeks from date of invoice) Formal reminder letter**
- **Stage 3 (16 weeks from date of invoice) Final reminder letter**

If the debt is as a result of an unpaid invoice then the Agresso software will send reminder invoices on a monthly basis for two months.

#### **3.3 Failure to settle a debt**

Any debt unpaid after the final reminder letter has been issued will be referred to The Trust Business Manager.

A letter will be sent to the debtor by recorded delivery and will threaten legal action if the account is not settled within 14 days. Any additional recovery costs incurred by the Trust will also be pursued.

Legal advice may be sought from the Trust's lawyers through the Trust Business Manager and where appropriate a Legal letter will be issued indicating recovery action will be initiated through the county court (where appropriate). The CEO will make a recommendation as to the suitability of this course of action taking into consideration the value of the debt and the proposed legal fees.

This decision and its basis will be recorded and reported to the Resources Committee.

#### **3.4 Negotiation of repayment terms**

Debtors are expected to settle the amount owed by a single payment, however, if debtors are unable to pay for reasons of hardship, the Trust will take a sensitive approach to debt recovery and may agree an extended repayment period.

The Trust Business Manager will approve all such agreements entered into and a record of the decision made 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. Where a legal letter has been issued the repayment arrangements will be agreed between the party concerned, the Trust Business Manager and the lawyers. This decision and its basis will be recorded and reported to the Resources Committee.

### 3.5 Reporting of outstanding debt levels

The Trust Business Manager will ensure that the level of outstanding debt is regularly monitored.

The 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.

### 3.6 Debt Write Off

If after all reasonable efforts to collect the debt has been made and legal action is unsuccessful or impractical the debts may be referred to Resources committee for write-off.

### 3.7 Write-off Limits and ESFA Guidance

In the Academies Financial Handbook 2017, the Education & Skills Funding Agency (ESFA) states that:

“The academy trust must obtain ESFA’s prior approval for the following transactions beyond the delegated limits of the two categories set out below:

- writing-off debts and losses
- entering into guarantees, letters of comfort or indemnities

The delegated limits, subject to a maximum of £250,000, are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts
- cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years”

