



Cheshire Academies Trust

Inspiring hearts and minds

DEBT RECOVERY POLICY

Date of Board review: Autumn 2023
Next review date: Autumn 2024

Introduction

This policy sets out the procedure to be followed in the event of an unpaid debt owed to CAT or any of its academies. We aim to work with parents and carers to resolve any issues and the Principal of each academy is available to discuss any financial concerns or difficulties. CAT will also consider the safety and wellbeing of pupils before any action is taken. However, any money owed to Cheshire Academies Trust or its academies has an impact on budgets and may affect the resources that we can provide for pupils. As part of its duty to manage public funds, CAT 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 have been taken (commensurate with the size and nature of the debt).

Legal Framework

The CAT Debt Recovery Policy will observe the relevant financial regulations and guidance set out in the Academies Trust Handbook and any other legal requirements.

It is the Chief Finance and Operations Officer's responsibility to ensure that the bad debt financial practices are consistent with this policy.

This policy covers all debts including income from school activities such as:

- After-school clubs
- Nursery Fees
- School Dinners
- School trips
- Music lessons

1. Payments

Externally via Sales Invoice

The Academy will raise a sales invoice for all external income payments. The sales invoice should be paid within 28 days per CAT's terms and conditions.

Internally for School Activities

Payment should be made at the time of booking via the Academy's online payment system for any school activities that have an associated charge. These include but are not limited to nursery fees, after-school club fees, payments for school dinners, residentials, trips and music lessons.

Should a parent want to enrol their child in an activity, but are prevented from doing so for financial reasons, a confidential meeting with the Principal of the Academy can be arranged to discuss further.

2. Management and Monitoring of outstanding payments

The School Business Manager is responsible for following the debt recovery procedure, set out in the monthly office overview. They should apply debt recovery procedures where any payment becomes overdue by more than 14 days.

3. Debt Recovery Procedures

For overdue debts under £25 reminders will be sent by email or text message. In the event of non-payment, the debtor will be contacted by telephone and invited to meet with the School Business Manager to discuss repayment proposals and consider the viability of recovery of the debt. If they are unable to recover the debt they should inform their Trust Business Manager at the earliest opportunity. A record of unrecovered debt should be reported to governors via the termly Finance & Business report. Governors should consider if the level of debt requires further action.

For overdue payments of £25 or over the following procedures will be applied.

- **Initial Overdue Payment Reminder (informal)**

An informal reminder will be sent by way of email. In the case of external payments this should be accompanied by a reminder invoice. A copy of the email should be retained for the records. If no response is received and the debt relates to school activities, the School Business Manager should make other informal attempts to discuss this with the parent/carer, including via telephone or in person.

- **First Overdue Payment Letter (formal)**

If there is no response to the initial reminder, a formal letter (Appendix A) will be issued 14 days later. This letter will be signed by the Principal and a copy will be retained for the records. In the case of school activities, this formal letter will state that if payment is not received by the end of the current term they may not be permitted to continue with the activity. If appropriate, the School Business Manager should continue with informal attempts to recover the debt (such as contact via telephone).

- **Second Overdue Payment Letter (formal)**

If there is no response to the first overdue payment letter, an additional formal letter (Appendix A) will be issued 14 days later. If the debt is in relation to school activities, the School Business Manager should raise a sales invoice at this point, to ensure the income is recognised in the accounts. This should be sent to the debtor along with the letter. A copy of the letter and sales invoice will be retained for the records. Failure to respond and/or settle a debt. If there is no response and the debt remains outstanding, the debtor will be invited to meet the School Business Manager and/or Principal, to discuss repayment proposals. The possibility of negotiating repayment in instalments, where appropriate, will be considered. A letter confirming the agreed terms for repayment will be issued to the debtor and will be retained in the records. In the event the debtor does not adhere to the agreement then repayment in full will be requested.

- **Legal Action**

If all possible actions to recover the debt have failed, the school may wish to take legal action to recover the debt. This must be approved by the Resources Committee, via the CFOO. Academies wishing to take legal action to recover outstanding debt should contact the Chief Finance and Operating Officer directly.

4. Reporting of Outstanding Payments

School Business Managers are responsible for reporting outstanding debt, actions to recover debt and any proposed actions to mitigate future debts, to their LGB on a termly basis. The Chief Finance and Operations Officer will determine whether any individual debts should be reported to the Resources Committee. The Resources Committee will determine whether the level of debt is acceptable and whether action to recover debts is effective.

5. In the Event the Debtor is Unable to Repay

Debt may be reduced or written off after careful appraisal of the individual case. A sensitive approach to debt recovery will be carried out, taking the following into account:

- Hardship – where repayment of the debt would cause financial hardship;
- Ill health – where recovery action may cause further ill health;
- Cost – where recovery of the debt would cost more than the debt itself;
- Loss of contact – in cases where an individual has left an academy and there is loss of contact;
- Whether all reasonable action has been taken to effect recovery from the debtor;
- The Trust's insurers/auditors are satisfied that there is no feasible alternative.

6. Write off of Bad Debts

The write-off of any debt up to £25 can be agreed by the School Business Manager. The write-off of any debt up to £5,000 can be agreed by the Principal or £25,000 by the Local Governing Body. The write-off of any debt above this figure up to £50,000 can be agreed by the Chief Executive Officer who will report this to the Resources Committee. The write-off of any debt above this figure will require the written approval of the Resources Committee. A record of the write off, the reason for it and the approval of it will be retained for the records.

7. Write-off Limits

The Trust must obtain ESFA's prior approval to write-off individual debts with a value:

- in excess of 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- cumulatively, 2.5% of total annual income (subject to a max. of £250k) in any one financial year per category of transaction for any academy Trust that has 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; and
- cumulatively, 5% of total annual income (subject to a max of £250k) in any one financial year per category of transaction for any Academy Trust that have submitted timely, unqualified audited accounts for the previous two financial years.

Appendix A

This is a template letter that should be edited by academies to ensure it is fit for purpose for the particular debt the academy is trying to collect.

Dear Sir/Madam

Customer Account No (if relevant)/School Activity Reference & Child's Name

Total Balance Outstanding £

Despite attempts to contact you, the amount detailed above remains outstanding. Please make this payment in full, within the next 14 days. Failure to do so may result in access to **SCHOOL ACTIVITY** being revoked and legal action being taken to recover this debt.

If you have recently sent a payment or have entered into a payment plan with us, please disregard this letter.

If you are not in a position to make a full payment, have any queries regarding the outstanding amount, please contact us immediately to discuss alternative arrangements.

Payment should be made via BACS to **xxxxxx**

Yours faithfully