



## Debt Recovery Policy

<b>Date Published</b>	<b>April 2018</b>
<b>Version</b>	<b>1</b>
<b>Date Last Approved</b>	<b>March 2023</b>
<b>Review Cycle</b>	<b>Triennial</b>
<b>Review Date</b>	<b>March 2026</b>

“Learning together; to be the best we can be”

## 1. Scope

- 1.1. This policy applies to all academies and business units across Nexus MAT.

## 2. General Requirements

- 2.1. All Nexus MAT academies 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. Procedures for agreeing the write off of a debt are covered in the Write Off and Disposals Policy. Please refer to this policy to ensure the correct approvals process is followed.
- 2.2. This debt recovery policy observes the relevant financial regulations and guidance set out in the Academies Financial Handbook, Funding Agreement, Scheme of Delegation, Financial Manual and any other legal requirements.
- 2.3. In general payment for all goods and services supplied by an academy should be collected in advance or 'at the point of sale'.
- 2.4. The procedures to secure the collection of all debts are outlined below and should be followed by all academy staff.

## 3. Acceptable "credit period"

- 3.1. The Headteacher has prerogative to determine the length of time they deem as an acceptable 'credit settlement period' before the debt recovery procedures are applied, though this should not exceed 6 months (or two school terms, whichever threshold is hit first).
- 3.2. The Headteacher may consider that an 'acceptable' credit period may vary between different income generating activities; for example;

- 3.2.1. School lettings;
  - 3.2.2. School dinners;
  - 3.2.3. Trips and activities.
  - 3.2.4. Overpayment of salary
- 3.3. Debt recovery procedures should be applied in accordance with section 5 of this policy.

## 4. Monitoring of outstanding debts

- 4.1. The Headteacher must ensure that the level of outstanding debt is regularly monitored.
- 4.2. Suitable records will be maintained to detail individual debts and the total value of debt to the academy in order that it can be determined at any time and reported to the relevant committee.
- 4.3. The Headteacher and Chief Executive Officer – typically via delegated responsibility to a.n.other Trust officer - will review the level of outstanding debts every term to determine whether this level is acceptable and whether action to recover debts is effective. Where the level of outstanding debt exceeds the delegated financial authority of the Headteacher, this must be referred to the Chief Executive Officer.
- 4.4. 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.

## 5. Debt recovery procedures

- 5.1. Where payment from the parent/guardian has not been received in advance, or 'at the point of sale', the following process should be applied.
- 5.2. The school should speak to parents/carers in the first instance and explain the requirement for the debt to be repaid, agreeing a reasonable repayment plan where necessary. This should then be followed up in writing to the parent/carer.

- 5.3. If parents/carers fail to honour the agreement – or if no agreement on repayment can be secured – then an invoice should be issued on official school stationery for the full amount in order to officially set up the debt;
- 5.4. Where invoices are raised they should state the date by which payment is due date/month/year.
- 5.5. 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.
- 5.6. Payment for items purchased should be sent to the school office by date/month/year.
- 5.7. A record of all goods and services will be maintained detailing:
  - 5.7.1. type of good/services supplied;
  - 5.7.2. value;
  - 5.7.3. date(s) good/services supplied; and;
  - 5.7.4. the identity of the 'debtor', e.g. parent, hirer, etc.

## 6. Pursuance of debt reclamation

- 6.1. Details of all reminders, whether verbal or in writing, should be maintained. Where a letter is issued, a copy must be retained on file.
- 6.2. Should a debt need to be taken beyond two reminder letters, formal written evidence may have to be produced.
- 6.3. It is therefore important that at least one, but preferably two, written reminders are sent.
- 6.4. **Initial 'overdue payment' reminder**
  - 6.4.1. An initial reminder may be informal and can be made either in person (when a parent/carer comes to collect/drop off the child), or by telephone.
  - 6.4.2. In general, the School Office will notify the parent/guardian. The date of the initial reminder should be recorded.

## **6.5. First 'overdue payment' reminder letter (appendix a)**

- 6.5.1. A formal reminder letter should be issued 2 weeks after the informal reminder.
- 6.5.2. 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.
- 6.5.3. The date of the initial reminder should be recorded.

## **6.6. Second 'overdue payment' reminder letter (appendix b)**

- 6.6.1. A second reminder letter will be issued 2 weeks after the First Reminder Letter.
- 6.6.2. The date of the initial reminder should be recorded.

## **6.7. Failure to respond to reminders / settle a debt (appendix c)**

- 6.7.1. 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 Headteacher 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.
- 6.7.2. This decision and its basis will be recorded and reported to the Audit & Risk Committee

## **6.8. Negotiation of repayment terms**

- 6.8.1. Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder.
- 6.8.2. However, if people are unable to pay, the academy 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:

- 6.8.2.1. Hardship: where paying the debt would cause financial hardship;
  - 6.8.2.2. Ill health: where recovery action might cause further ill health.
  - 6.8.2.3. 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.
  - 6.8.2.4. Cost: where the value of the debt is less than the cost of recovering it.
  - 6.8.2.5. Multiple debt: where someone owes more than one debt to the academy. In this situation an attempt to agree one repayment plan to include all debts will be established.
- 6.8.3. Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder, unless the Headteacher believes a phased repayment term would optimise the chances of recouping funding.
- 6.8.4. If a debtor requests 'repayment terms' these may be negotiated at the discretion of the Headteacher.
- 6.8.5. A record of all such agreements entered into will be retained.
- 6.8.6. In all cases, a letter will be issued to the debtor confirming the agreed terms for repayment.
- 6.8.7. The settlement period should be the shortest that is judged reasonable.
- 6.8.8. 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.
- 6.9. Costs of debt recovery**
- 6.9.1. Where the school incurs material additional costs in recovering a debt then the Headteacher will decide whether to seek to recover such costs from the debtor, taking advice from the Chief Finance Officer.

6.9.2. 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.

6.9.3. This decision and its basis will be recorded and reported to the Audit & Risk Committee

#### 6.10. **Bad debts**

6.10.1. This debt recovery policy should be cross-referenced to the Nexus MAT Financial Handbook, and Nexus Write Offs and Disposals Policy.

## **Appendix A - First overdue payment reminder letter**

Dear Parent / carer

### **Overdue payment for XX**

Nexus MAT academies seek to ensure that all parents and carers make a fair and equitable contribution to their child's education.

If debts are incurred, then the school budget has to pay for them. This means that money which should be spent on the children's education is used to pay for debts incurred by parents. I am sure every parent will agree that this is unacceptable and we request that all parents give this policy their full support.

Parent/s Carers must pay in advance wherever there is an associated cost, and despite us making this clear to you have still not provided payment for XXX.

**FOR SCHOOL DINNER DEBT** - I am sure you would not take your child out for a meal and expect them to be given food without paying; the same applies at school. If parents believe that their children may qualify for entitlement to Free School Meals, please contact the office for more details. This allowance is a statutory right and it is important that you use it if you qualify. We will help you all we can with your application. You should also be aware that securing your free entitlement increases the funds available to your school.

If a parent genuinely forgets to pay in advance, the school may grant a debt allowance of 5 meals. However: these must be paid for and any future meals must be paid for in advance.

If the debt is not cleared, parents must either provide a packed lunch or maybe take the child home for lunch. In a case when a debt payment is not received nor a packed lunch provided, the school will always phone the parent to ask them to come to school with the money. Otherwise they must provide sandwiches before lunch time or arrange to take their child home for lunch.

If payment of the debt is not received, the Headteacher reserves the right to begin legal proceedings against parents to recover the debt and ask you to attend a meeting to discuss the matter.

We hope that by implementing this debt policy we are able to help parents manage their financial responsibilities to school better and at the same time ensure that all money that is for children's learning is available.

If you have any concerns, please don't hesitate to contact me.

Yours sincerely

Headteacher



## **Appendix B - Second overdue payment reminder letter**

Dear Parent/carer

### **Second overdue payment letter**

Further to my letter dated DD/MM/YYYY, our records show that you have still not paid outstanding monies owed to the school for your child xxxxxxxxxxxxxx Class: xx.

As at DD/MM/YYYY your account is showing a debt of £xxxx

Please arrange for this money to be paid within 5 working days, once the debt is cleared please ensure the account is always in credit.

The breakdown of this outstanding debt is as follows:

XXXX  
XXXX  
XXXX

We have a strong commitment to partnership working at our school and I would strongly encourage you to arrange a visit to school to discuss this issue and agree a repayment plan so that we can resolve this matter urgently.

If you have any queries regarding these arrears, please contact the school office immediately.

Yours sincerely

Headteacher

## **Appendix C - Failure to respond to reminders/settle a debt**

Dear Parent/carer

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

Further to my letters dated DD/MM/YYYY and DD/MM/YYYY, our records show that you have still not paid outstanding monies owed to the school for your child xxxxxx  
Class: xx.

As at DD/MM/YYYY your account is showing a debt of £xxxx

Please arrange for this money to be paid within 5 working days, once the debt is cleared please ensure the account is always in credit.

The breakdown of this outstanding debt is as follows:

XXXX  
XXXX  
XXXX

The school is prepared to look at a repayment plan should it provide difficult for you to repay this outstanding debt amount in one lump sum.

We have a strong commitment to partnership working at our school and I would strongly encourage you to arrange a visit to school to discuss this issue and agree a repayment plan so that we can resolve this matter urgently.

The school reserves the right to begin legal proceedings to recover the debt (**FOR SCHOOL MEAL DEBT ONLY - and to inform social services of our concerns that you are not providing a meal for your child at lunch time.**). The school will be asking our solicitors, Howes Percival, to commence formal debt reclamation procedures if we not hear from you by DD/MM/YYYY.

If you have any queries regarding these arrears, please contact the school office immediately.

Yours sincerely

Headteacher