

Debt Recovery Policy

St Francis' Catholic Primary School



Approved by FGB on: July 2019

Committee Responsible: Finance

Next review due by: July 2021

Debt Recovery Policy

1. General Requirements

The school 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 school's Debt Recovery Policy will observe the relevant financial regulations and guidance set out in the Scheme for Financing Schools and any other legal requirements. In particular:

- the Finance Committee may write-off any debt belonging to the School which does not exceed £1,000
- the Governing Body will not write-off any debt belonging to the school which exceeds £1,000.
Any sums above £1,000 will be referred to the Director of Children and Young Peoples Services for approval for write-off.

The formal agreement of the Local Authority's Director of Finance and Resources (Section 151 Officer) will be obtained before a debt exceeding £1,000 is written off. (If any debtor has a number of debts which together exceed the write-off limit then these will be treated as a total amount).

Debts greater than £10,000 can only be written off by the Executive member for Finance on advice of the section 151 officer.

- 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).
- the school will not initiate any legal action to recover debts, but will refer any debts which it has not been able to collect (unless a decision to write-off the debt is demonstrably a reasonable course of action) to the Council's Legal Services Section to consider taking legal or other action to recover the debt.
- the school will NOT write-off any debt belonging to the Local Authority or another party, e.g. debts for school meals. If in doubt as to the appropriate action to collect any such debts the school will seek advice promptly from officers of the Local Authority.

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 in paragraphs 4 to 5 and should be followed by School staff.

2. **Acceptable 'credit period'**

The Governing Body should determine the length of time they deem as an acceptable 'credit settlement period' before debt recovery procedures are applied. The 'acceptable' credit period varies between different income generating activities;

- School Meals: Child's account should be kept in credit and monitored weekly.
- Trips and activities: 7 days from date of payment request (unless otherwise stated in parental letter)
- Music Tuition: 14 days from date of payment request
- School lettings: 14 days

3. **Reporting of outstanding debt levels**

The Headteacher 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 Finance Committee.

The Headteacher will review the level of outstanding debts every term to determine whether this level is acceptable and whether action to recover debts is effective.

4. **Debt Recovery Action**

If payment is not forthcoming within the stated time scale, the following process should be followed. However, it must be remembered that a "**voluntary contribution**" is requested for school trips.

4.1 ***Informal 'overdue payment' reminder***

An initial reminder may be informal and can be made either in person (when a parent comes to collect/drop off the child), or by telephone. In general, the *Business Manager / Headteacher* will remind the parent of the debt. The date of this informal reminder should be recorded.

4.2 ***First 'overdue payment' reminder letter***

A formal reminder letter should be issued one week after the informal reminder / the date of supply.

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.

4.3 ***Second 'overdue payment' reminder letter***

A second reminder letter will be issued one week after the First Reminder Letter.

4.4. **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 Governing Body's Finance Committee may, at its discretion, refer the matter to the Council's Legal Services Section

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

5 **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 School 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.

If a debtor requests for 'repayment terms' these may be negotiated at the discretion of the Headteacher. 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 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. This decision and its basis will be recorded and reported to the Finance Committee.

6. **Costs of Debt Recovery**

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. 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 Committee.

7. **Bad Debts**

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 Finance Committee up to a maximum of £1000.

A record of the write-off, the reason for it, and the approval for it, will be retained for 7 years.

8. **Policy Review**

This policy will be reviewed and approved bi-annually by the Finance Committee.

