



St Thérèse of Lisieux Catholic Multi Academy Trust

Debt Recovery and Write Off Policy

Audience:	Central Team, Head Teachers and all other CMAT Finance and Admin employees
Approved:	12/10/2020
Policy Owner:	Louise Wilson – Accounting Officer
Policy Prepared By:	Rachel Abbott – Senior Finance Manager
Policy Model:	Compliance – all CMAT academies use this policy
Review:	2 Yearly
Version Number:	1.0 – (October 2020)

Scope of this policy

This policy applies to all persons working for St Thérèse of Lisieux Catholic Multi Academy Trust (The Trust) or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, external consultants, contractors, third-party representatives, business partners, sponsors or any other person associated with us, wherever located (collectively referred to as employees in this policy).

Objective of this policy

The objective of this policy is to:

- ensure The Trust correctly attempts to recover bad debts and account for redundant equipment.

This policy observes the relevant financial regulations and guidance set out in the current Academies Financial Handbook, the Trust's Funding Agreement with the Secretary of State, the Trust's Scheme of Delegation, and Trust Financial Regulations.

Ownership of this policy

This policy is owned by The Trust's Finance and Estates Committee. Each academy will adopt this policy.

Monitoring of this policy

The Senior Finance Manager will implement this policy across the Trust on a day to day. Each academy will share and apply this policy.

Related policies/documents

Finance Regulations Manual – Bad Debt

Lettings policy

Employee Overpayment Policy and procedure

1. Introduction

The Trust and its 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.

The Trust's debt recovery policy will observe the guidance set out in the Trust's Financial regulations and any other legal requirements. In particular:

- the CEO or board will approve the write-off of all debts, stocks, and surplus assets as per the defined limits.
- all such write-offs will be recorded in the minutes of the Committee or Board meeting
- a formal record of any debts written off will be maintained and this will be retained for 7 years.
- academies will seek the advice of the central finance team should they consider taking legal or other action to recover the debt.

The procedures to secure the collection of all debts are outlined below and should be followed by all academy and central staff.

2. Acceptable “Credit period”

In general, payment for all goods and services supplied by the Trust should be collected in advance or 'at the point of sale. Invoices will be generated by the Trust's accounting system wherever possible. If this is not possible, a manual ledger of debtors will be kept. However, for segregation of duty to ensure sound internal control, employees who raise debtor accounts will not also have the authority to write off debts.

Unless specifically detailed on the invoice, payment terms will be 30 days.

Debt recovery procedures should be applied in accordance with this policy.

3. Monitoring of outstanding debts

Academies – Nursery, Breakfast and After School Clubs, Catering, Swimming etc.

- The Head teacher and Trust Finance Manager will review the level of outstanding debts termly
- Details of all reminders, whether verbal or in writing, must be maintained.
- If parents/carers fail to honour the agreement, or if no repayment agreement can be secured, an invoice must be raised on the Trust's accounting system for the full amount, stating the date by which payment was due, to officially set up the debt.
- The Head teacher will ascertain if there are any welfare issues which might prevent debt recovery. If the family is suffering from financial hardship an affordable repayment plan will be offered and they will be signposted to seek help and advice from a body such as Citizens Advice.
- Where payment from the parent/carer has not been received in advance or 'at the point of sale', the following process will be applied:
 - Initial overdue payment reminder

The Head teacher must speak to the parent/carer and explain the requirement for the debt to be repaid, agreeing a reasonable repayment plan where necessary. This

initial 'overdue payment reminder' may be informal and can be made either in person (when a parent/care comes to drop off/collect the child), or by telephone. The date of the initial reminder must be recorded.

- First 'overdue payment' reminder letter (appendix 1b).

A formal reminder letter must 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.

- Failure to respond to reminders/settle a debt letter (appendix 1c) sent by recorded delivery.

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 Trust's legal advisers. The debtor will 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

Services/Suppliers/Ex-Employee Overpayments

All debts will be recorded, and non-payment will be followed-up by issuing reminders as follows:

- 1st overdue payment reminder (Appendix 2a)

A formal reminder letter must be issued 3 weeks from the date of account.

- 2nd overdue payment reminder (Appendix 2b)

A second formal reminder letter must be issued 6 weeks from the date of account.

- Failure to respond to reminders/settle a debt letter (Appendix 2c – sent by recorded delivery).

If after 2 reminders, a response or payment is not received, a letter will be sent to the debtor 8 weeks from the date of account advising them that the matter will be referred to the Trust's legal advisers. The debtor will 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.

Should a debt be taken beyond two reminder letters, formal evidence may have to be produced. Details of all reminders, whether verbal or in writing, but be maintained. Copies of letters issued, and proof of posting/tracking details must be retained on file.

4. 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 someone is unable to pay, the Trust may reduce or cancel a debt in certain circumstances. An appropriate and balanced 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 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 Trust. 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, unless the Trust Finance Manager believes a phased repayment term would optimise the chances of recouping funding.
- If a debtor requests 'repayment terms' these may be negotiated at the discretion of the Trust Senior Finance Manager.
- A record of all 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 Trust Senior Finance Manager 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.

5. Costs of Debt Recovery

Where the Trust incurs material additional costs in recovering a debt then the Trust Senior Finance Manager will decide whether to seek to recover such costs from the debtor, taking advice from the CEO. The debtor will be formally advised in writing that they will be required to pay the additional costs incurred by the Trust in recovering the debt. This decision and its basis will be recorded and reported to the Finance and Estates Committee.

6. Bad Debts

If after 10 weeks' payment is still not forthcoming, then legal action will be considered, and the debtor informed of this in writing. If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual irrecoverable debts may be written-off in accordance with the following procedure:

- Those up to the value of £500 to be approved by the Chief Executive Officer and reported to the next meeting of the Finance and Estates Committee • Those exceeding £500 and up to £1000 to be referred to the Finance and Estates Committee for approval.
- Those exceeding £1000 but less than the ESFA limit for approval must be referred to the Board of Directors for approval.

Where stipulated in the Academies Financial Handbook, approval to write off bad debts will be obtained from the ESFA.

7. Redundant Equipment

From time-to-time, furniture and equipment becomes obsolete because changes in personnel or working arrangements make the items surplus to requirements, and outdated items restrict the Trust's ability to provide adequate service or maintenance becomes too expensive. As a result, the Trust needs to dispose of such items. It is the Trust's policy not to see old equipment as useless. When disposing of any item of equipment Trust officers should recycle or reuse equipment within the Trust

wherever this will offer value for money, ensure that the equipment is disposed of properly in accordance with environmental and health and safety law (including product safety) and that the transactions are recorded.

IT equipment must be re-cycled via a reputable company, cleaned of all software and reset to manufacturer's settings, ensuring that all personal data is wiped. A list of equipment disposed-of will be presented to the Finance and Estates Committee at their next meeting. This list will show, as far as is known, the item, date of manufacture or purchase, values when new and when made redundant. The Trust's Fixed Asset Register will be amended to show disposals and such entries will be endorsed by the CEO.

Appendix 1a: (School) First Overdue Payment Reminder Letter (please delete this heading)



[date]

Dear Parent / carer

Overdue payment for XX

[School name] seeks 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 must 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.

Parents/Carers must pay in advance wherever there is an associated cost, but you have still not provided payment for XXX.

If your family is suffering from financial hardship please do contact me to discuss options, one of which is an affordable repayment plan. You are strongly recommended to seek help and advice from a body such as Citizens Advice, who can be contacted at [].

FOR SCHOOL DINNER DEBT

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.

If a parent genuinely forgets to pay in advance, we 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 may 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 Head teacher will ask you to attend a meeting to discuss the matter, and we reserve the right to begin legal proceedings to recover the debt.

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

Yours sincerely

Headteacher

**Appendix 1b: (School) Second Overdue
Payment Reminder Letter (please delete
this heading)**



[date]

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 xxxxxxxxxxxxxxxx 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. If your family is suffering from financial hardship please do contact me to discuss options, one of which is an affordable repayment plan. You are strongly recommended to seek help and advice from a body such as Citizens Advice, who can be contacted at [].

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 1c – (School) Failure to respond to reminders/settle a debt (please delete this heading)



[date]

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

If your family is suffering from financial hardship please do contact me to discuss options, one of which is an affordable repayment plan. You are strongly recommended to seek help and advice from a body such as Citizens Advice, who can be contacted at [].

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 we will be asking the Trust's solicitors to commence measures to recover the debt (which may include court proceedings) 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

**Appendix 2a: (Supplier/Service/Overpaid
Ex-employee) First Overdue Payment
Reminder Letter (please delete this
heading)**



[date]

[Contact Name Address

City Postcode]

Notice of Overdue Payment

Dear [contact name]

Our records indicate that payment on your account for invoice [NUMBER] is overdue in the amount of [AMOUNT]. If the invoice has already been paid, please disregard this reminder. If you have not yet paid your invoice, please do so within the next 5 working days.

If you wish to make your payment by BACs, our details are: [ACCCOUNT NAME] [SORT CODE] ACCOUNT NUMBER]

If there is a problem regarding your account, please telephone me on the number below, to that we can discuss the situation.

Thank you in advance for your cooperation in this matter

Yours sincerely

Trust Finance Manager

Cc [COPY INVOICE]

**Appendix 2b: (Supplier/Service) Second
Overdue Payment Reminder Letter**
(please delete this heading)



[date]

[Contact Name Address

City Postcode]

Notice of Overdue Payment

Dear [contact name]

On [DATE OF REMINDER], we informed you of your outstanding balance. To date, we have not received payment for invoice, nor have you contacted us to discuss your account. The following outstanding invoice is now 6 weeks overdue.

Invoice date: [INSERT ORIGINAL DATE OF INVOICE] Invoice Number: [INSERT INVOICE NUMBER] Invoice Amount: [INSERT INVOICE AMOUNT]

Please contact our office as soon as possible so we do not have to continue further collection efforts. Please act promptly and make your payment in full immediately or contact me to discuss other financial arrangements.

If you wish to make your payment by BACs, our details are: [ACCOUNT NAME] [SORT CODE] ACCOUNT NUMBER]

I look forward to resolving this matter soon

Yours sincerely

Trust Finance Manager

Cc [COPY INVOICE]

Appendix 2c: (Supplier/Service) Failure to Respond to Reminders/Settle a Debt Letter (please delete this heading)



[date]

[Contact Name Address

City Postcode]

Notice of Overdue Payment

Dear [contact name]

We have tried to contact you on two occasions regarding the following unpaid invoice which is now 8 weeks overdue.

Invoice date: [INSERT ORIGINAL DATE OF INVOICE] Invoice Number: [INSERT INVOICE NUMBER] Invoice Amount: [INSERT INVOICE AMOUNT]

This matter has now reached a critical point and we require immediate payment of this amount to avoid further action. Please contact me immediately to advise when we can expect payment of this outstanding amount.

The Trust will be asking its solicitors to commence formal debt recovery procedures through court action if we not hear from you by [DD/MM/YYYY]. Please note, the court will usually order you to pay the cost incurred by the Trust for legal fees and court action and this will be added to your outstanding debt.

Yours sincerely

Trust Finance Manager