

# Presdales School



<b>Title</b>	DEBT RECOVERY POLICY
<b>Version</b>	January 2023
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<b>Date approved by Committee</b>	March 2023
<b>Date approved by Trust Board</b>	NA
<b>Review Date</b>	Spring 1 2025

## Enquiries & comments

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## Introduction

As part of their management of public funds, academies should have a policy in place for ensuring the collection of all debts owed. If debts remain unpaid, the academy may have to use money that would otherwise be spent on education to cover these debts. A debt should therefore only be written off after all reasonable measures for its recovery have been taken.

The Headteacher, Finance Manager and Trust Board should use this debt recovery policy when dealing with debtors. It should also be used to ensure that debtors understand the school's position on outstanding debts and the action it will take if they remain unpaid.

## Types of activities giving rise to debts

Presdales School sends out invoices to generate income from the following sources:

- Lettings income from hirers of school premises
- Music fee income from parents of students taking private music lessons
- Other occasional miscellaneous income

Debts may also arise from activities which are not explicitly invoiced such as:

- Trips and activities
- School meals

This policy sets in place the procedures to follow to ensure that amounts owed to the school are paid and, if not, that reasonable measures (commensurate with the size and nature of the debt) are taken to recover them.

## Action plan

To ensure the collection of debts, Presdales School will keep a record of all services supplied, their value, the date and the name of the debtor. The school will ensure that invoices are sent out in a timely manner and that any invoices raised state the date by which payment is due.

Parents/Carers of students on trips or making a purchase are advised of the cost prior to signing up to the trip or purchase. They are advised if payments are non-refundable and that cancellations may incur additional costs.

Presdales School will actively pursue debtors for the collection of income owed to it. If a payment is overdue, the following actions will be taken:

- **First reminder** – A reminder is sent to the debtor when a payment is two weeks late. This will be in the form of a statement, a copy of the original invoice, a letter or an email. A record is kept of all reminders and letters relating to debt recovery. Reminders may be sent home with the student.
- **Formal letter from the Finance or Business Manager** – If no payment is received a formal letter will be sent from the Business Manager requesting either payment of the debt or that the debtor contacts the school to arrange an alternative payment schedule (e.g. payment by instalments). Formal letters will be sent by post.
- **Formal letter from the Headteacher** – If no payment or response is received in respect of the letter from the Finance Manager, the debt will be referred to the Headteacher who will write to the debtor. This letter will advise that should the school not hear from the debtor then legal action may be taken.
- **Solicitors letter** – If no response is received, the debt will be referred to the school's solicitors who will send a formal letter to the debtor.

The Headteacher and the Business Manager are responsible for ensuring that the total value of outstanding debt is known at all times.

## Legal Action

If a debtor does not respond to any of the steps above and the Finance Manager or Headteacher does not make the decision to write the debt off (see section 5 below) then the Resources Committee of the Trust Board should consider each debt with a view to taking legal action, provided the cost of such action is not in proportionate to the value of the debt

Where the school incurs material additional costs in recovering a debt then the Head Teacher/Resources Committee will decide whether 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.

### **Bad Debts**

The school must also consider if a debt should be written off. The decision must be made based on the value of the outstanding debt and other background information given by the school and the debtor, such as hardship or ill-health.

Authority to write off a debt is given as follows:

<i>Authority to:</i>	<i>Write off value</i>
Finance/Business Manager	up to £250
Headteacher	up to £500
Resources Committee	over £500

Beyond the limits below the school must seek and obtain explicit and prior approval of the Secretary of State (through the ESFA):

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction
- Cumulatively, 5% of total income in any one financial year.

Records of debts that have been written off will be retained for six years plus the current year.

Any debtors that fail to settle a debt will be informed that in future they will be required to pay for any services in advance.

If appropriate, debtors will be informed that places on subsequent trips or activities will not be confirmed until outstanding debts are cleared.

### **Monitoring and Evaluation**

Responsibility for ensuring that this policy is adhered to lies with the Headteacher and Business Manager, who will evaluate effectiveness periodically.

### **Appendix A**

Schedule of steps to facilitate the recovery of a debt

### **Appendix B**

Record of Bad Debt Write Off

## Appendix A – Schedule of steps to facilitate the recovery of a debt

	<b>Lettings</b>	<b>Trips / Purchases</b>	<b>Music Fees</b>
<b>Initial letter / Invoice</b>	At the end of the month in which the letting took place.	When the trip or purchase is planned and notified to students.	An invoice for lessons is issued at least one week before the end of the previous term.
<b>Due Date</b>	At the end of the next month.	Varies: For purchases if payment is not made by the due date the item is not given to the student. For trips there may be a series of instalment dates. Full payment must have been received before the trip departs.	The first day of the term in which lessons are being provided.
<b>First reminder</b>	2 weeks after the due date.	2 weeks after the due date.	2 weeks after the due date. Parents are reminded that half a terms' notice is required prior to cancellation.
<b>Formal letter from the Finance Manager</b>	30 days after due date.	30 days after the due date advising them that they may be removed from the trip, if appropriate*	
<b>Formal letter from the Headteacher</b>	5 weeks after due date.		5 weeks after due date.
<b>Formal letter from Solicitor</b>	6 weeks after due date.		6 weeks after due date.

\*The decision to remove a student from a trip has to be made with the trip organiser and with consideration to any cancellation fees.

If appropriate, the Business Manager will contact the debtor by telephone before the formal letter from the Solicitor.

## Appendix B – Record of Bad Debt Write Off

<b>Debtor Name</b>	
<b>Invoice Number(s)</b>	
<b>Amount</b>	£
<b>Steps Taken to recover the debt</b>	
<b>Why there is no reasonable prospect for cost effective recovery</b>	
<b>Sufficient budgetary provision exists for the debt to be written off</b>	
<b>Write off Cost Centre/Budget Allocation</b>	
<b>Write off ledger/analysis code</b>	
<b>Write off approved by:</b>	
<b>Signature:</b>	
<b>Date Approved</b>	