



DEBT RECOVERY POLICY

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1. Policy Statement

- 1.1 This Policy is subject to the published Equality Information, in line with the Equality Duty 2011 and is underpinned by the Christian beliefs and values of our Academy Trust.
- 1.2 As part of its management of public funds, Peterborough Diocese Education Trust (PDET) academies will take all reasonable steps to ensure that all debts owed to it are collected.
- 1.3 PDET's expectation is that in most cases, academies will seek to obtain the necessary funds prior to the event occurring or any expenditure being incurred by the academy.

2. Background

- 2.1 As part of their management of public funds, academies should have a policy in place for ensuring the collection of all debts they are 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.
- 2.2 The headteacher, business manager and governing body should use this debt recovery policy when dealing with debtors. It should also be used to ensure that debtors understand the academy's position on outstanding debts and the actions it will take if they remain unpaid.

3. Objectives and targets

- 3.1 The purpose of this policy is to guide the headteacher and business manager in recovering debts and ensuring that outstanding debts do not become bad debts.

4. Action plan

- 4.1 To ensure the collection of debts, PDET academies will keep a record of all services supplied, their value, the date and name of the debtor, and ensure that any invoices raised state the date by which payment is due. It is expected that all invoices will be paid on or before the due date stated on the invoice and in full. If this is not possible, debtors should contact the headteacher or business manager to make alternative arrangements for payment.
- 4.2 PDET academies will actively pursue debtors for the collection of income owed to them. If a payment is overdue, the following actions will be taken:
 - **Initial reminder** – An informal telephone reminder will be made when a payment is two weeks late.

- **First reminder letter** – This formal letter will be sent when a payment is 30 days overdue. (Appendix A)
 - **Second reminder letter** – This will be sent two weeks after the first reminder letter if no payment is received. This letter should be sent recorded delivery. (Appendix B)
 - **Failure to respond after two reminders have been sent** – If no payment is received a letter will be sent by PDET to the debtor advising them that the matter may be placed in the hands of solicitors. (Appendix C)
 - **Failure to respond after three reminders have been sent** – If no payment is received PDET will consider placing the matter in the hands of solicitors
- 4.3 It is anticipated that debts will be settled promptly and in a single payment after the first reminder letter has been received. The debtor may be required to pay any additional costs incurred by the academy as a result of collecting this debt. Interest may be charged from the due date at the Bank of England Base Rate + 1%.
- 4.4 The headteacher and business manager are responsible for ensuring that the total value of outstanding debt is known at all times.
- 5. Bad debts**
- 5.1 Bad debts are only written off when the academy has followed all possible procedures to ensure their recovery.
- 5.2 The academies financial handbook provides the following guidance regarding the writing off of debts and losses, including any uncollected fines:
- 1% of the academy's total annual income up to £45,000, whichever is smaller per single transaction, may be written off after the academy has taken all possible steps to recover the money. Grant income is based on the figure in the last set of audited accounts. Academies that have not yet produced audited accounts need to contact the Education Funding Agency (EFA).
 - Cumulatively –
 - For academies that have submitted timely, unqualified financial returns for the previous two financial years, up to a maximum of 5% of total annual income in any one financial year per category of transactions may exceptionally be written off.
 - For academies that have not submitted timely, unqualified financial returns for the previous two financial years, 2.5% of total annual

income in any one financial year per category of transaction may be written off.

- The academy must seek and obtain the explicit and prior approval of the Education Secretary, through the EFA, for transactions above these limits.

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

5.4 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.

6. Monitoring and evaluation

6.1 Responsibility for ensuring that this policy is adhered to lies with the headteacher and business manager, who will evaluate its effectiveness annually.

7. Reviewing

7.1 PDET will carry out a review of this policy on a regular basis to ensure that any new or changed legislation is adhered to.

Appendix A – Template First Reminder Letter – Parents / Carers

This letter should be on academy headed paper and sent out by the academy in accordance with the policy on debt recovery.

Dear (name of parent or carer)

Re – Outstanding Debt

Invoice number date for £

The above account is now overdue and I would be grateful if you could please arrange settlement no later than five working days after the date of this letter to avoid further action being taken on behalf of the academy.

If you are having difficulties in paying this debt then please talk to me in confidence and I will see if we are able to offer any support.

If payment has been made in the past five working days, then please accept my thanks and ignore this letter.

Yours sincerely

Name
Headteacher

Appendix B – Template Second Reminder Letter – Parents / Carers

This letter should be on academy headed paper and sent out by the academy in accordance with the policy on debt recovery.

Dear (name of parent or carer)

Re – Outstanding Debt – Second Reminder

Invoice number date for £

Further to our letter dated , payment has not been received for the above invoice and I have not received a valid reason for non payment.

As I am sure you are aware, academies operate with very tight budgets and we are obliged to seek a settlement of every debt in order for us to have sufficient funds to ensure high quality teaching and learning for all our children.

In light of this, could you please arrange for payment to be made in the next five working days. In the absence of payment being received we withhold any payable services until payment for these services is made in advance.

If you are having difficulties in paying this debt then please talk to me in confidence and I will see if we are able to offer any support.

If payment has been made in the past five working days, then please accept my thanks and ignore this letter.

Yours sincerely

Name
Headteacher

Appendix C – Template Third Reminder Letter – Parents / Carers

This letter should be on PDET headed paper and sent out by the PDET in accordance with the policy on debt recovery.

Dear (name of parent or carer)

RE: Outstanding debt – Third Reminder

Invoice number date for £

I understand that you have been sent two letters, dated <DATE OF LETTER 1> and <DATE OF LETTER 2>, regarding an outstanding debt of <£AMOUNT OWED> owed to <NAME OF ACADEMY>. Unfortunately, I also understand that the academy has not received a response.

As you are aware, <NAME OF ACADEMY> operates within a very tight budget and is obliged to seek settlement of every debt order to have sufficient funds to ensure high quality teaching and learning for all children at the academy.

While it may seem like a small amount, this means that the outstanding debt is extremely important to the academy. We pursue all debts owed to our academies and if a response is not forthcoming I am afraid that we will need to consider passing the matter to our solicitors.

If you are having difficulties in paying this debt, then please talk to me or to <NAME OF BUSINESS MANAGER> at the academy in confidence and we will see if we are able to offer any support.

Yours sincerely

<NAME OF PDET BUSINESS DIRECTOR>
Business Director