

# DEBT MANAGEMENT POLICY

*A thriving family of schools who work together to celebrate differences, and support each other in pursuit of excellence.*

<b>This document has been approved for operation within:</b>	All Chancery schools.		
<b>Responsible Officer:</b>	CFO		
<b>Approved by:</b>	Finance and Resources Committee		
<b>Approval date:</b>	08 July 2024		
<b>Date effective from:</b>	July 2024	<b>Date of next review:</b>	July 2027
<b>Review period:</b>	3 years	<b>Version:</b>	2

## DOCUMENT CONTROL

### Summary of changes within this version

Legal framework updated  
 Inclusion of other relevant policies  
 Section on annual invoicing for Nursery removed (no longer applicable)  
 Clarification of the roles of CFO and LGB in writing off debts  
 Appendix added with example debt collection letters

## **STATEMENT OF INTENT**

Chancery Multi Academy Trust is committed to ensuring equal opportunities for all pupils, regardless of financial circumstances, and has established policies and procedures to ensure that no child is discriminated against by our offering of school trips, activities and educational extras.

While this is the case, the trust must have a policy in place to ensure the repayment and recuperation of any outstanding debts incurred by the school on behalf of a pupil. 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.

Each case is to be treated individually and the circumstances that have led to the outstanding debt will be taken into account to determine the best course of action and whether it is fair and reasonable to pursue the debt in its entirety if at all. The Trust is committed to adhering to legal requirements regarding charging for goods, services, facilities, dinners, nursery provision, out of hours provision, educational visits, residentials and materials, and meeting all statutory guidance provided by the DfE.

The Directors of Chancery Multi Academy Trust are responsible for ensuring that procedures are in place for the recovery of any outstanding debt.

Any money owed to any Academy within Chancery Multi Academy Trust has an impact on the budget and may affect the resources we can provide for the children. We hope parents/guardians and others understand this and will make every effort to avoid owing the Trust money.

The Trust's debt management policy will observe the relevant financial regulations and guidance set out in the Financial Handbook and any other legal requirements.

This policy sets out the procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable.

## **LEGAL FRAMEWORK**

This policy will adhere to the relevant legislation and statutory guidance surrounding school payments and debt recovery, including the following:

- DfE (2018) 'Charging for school activities'
- DfE (2023) 'Schemes for financing schools'
- ESFA (2023) 'Academy Trust Handbook'

This policy should be read in conjunction with the following trust policies:

- Manual of Financial Procedures.
- Lettings Policy

## **TYPES OF INCOME**

### **Goods, Services and Facilities**

Payment should be obtained as and when goods/services/facilities are provided wherever possible; in particular, where the value of goods and services is relatively small, i.e. less than £100.

Invoices should be raised for all services and facilities in advance of the service or facilities being provided.

Where invoicing is not completed in advance or payment is not received at the time when the goods/services/facilities are delivered, an invoice must be raised as soon as possible, but within 7 days of the goods/services/facilities being provided.

Invoices should state that the bill is due and payable within 30 days.

### **Out of Hours and Nursery**

Each academy should issue out of hours and nursery invoices monthly at the end of each month. The invoices are payable within 7 calendar days of the start of the following calendar month (e.g an invoice issue on 20<sup>th</sup> December will be payable on 7<sup>th</sup> January) or if later the date of issue (e.g an invoice issued on 2<sup>nd</sup> January will be payable on 9<sup>th</sup> January).

### **School Trips and Residentials**

Payment is required in advance of the school trip or residential and within agreed timescales. These debts should be chased but no admin fee should be charged or legal action letter should be sent.

### **School Dinners**

Payment is required in advance of the school meal being taken.

In certain circumstances, it may be necessary to give a child a dinner without having received payment. In this instance, a reminder is issued on the last working day of the week.

If no payment is received within 7 days from date of issue of the initial reminder, a formal reminder should be issued to the debtor by the headteacher, stating that the debt should be cleared within 3 working days. It should state that failure to comply will result in an administration fee being applied.

If then no payment is received within 3 working days from date of issue of the formal reminder, a final demand notice should be issued to the debtor. The final reminder should clearly state that if the debt is not cleared within 3 working days, legal action will be taken.

## **MANAGEMENT OF OUTSTANDING DEBTS AND DEBT RECOVERY PROCEDURES**

Debt collection across the Trust may vary depending on the terms and conditions of the contracts in place with customers, but will always follow the same three steps. The number of days in the procedure below is the maximum number of days, but schools in the trust can reduce the number of days if they have indicated this in their individual customer terms and conditions.

1. If no payment is received within 30 days from date of issue of the invoice, a reminder should be issued requesting payment.
2. If no payment is received within 45 days from date of issue of the invoice, a formal reminder should be issued to the debtor by the headteacher stating that the debt is to be cleared within 5 working days. It should state that failure to comply will result in an administration fee being applied.
3. If no payment is received within 60 days from date of issue of the invoice, a final demand notice should be issued to the debtor. The final reminder should clearly state that if the debt is not cleared within 5 working days legal action will be taken.

Where only part of the debt has been settled, a final demand notice for the balance outstanding should be issued 60 days from the issue of the invoice. The final reminder should clearly state that legal action will be taken if the debt is not settled in full within a further 5 working days of the date of the reminder.

Where a debtor requests permission to settle the debt by instalments and extend the normal terms and conditions of supply, they must submit an application in writing

explaining the reasons for their inability to meet the original contract terms. The Headteacher will agree the revised terms, which must not exceed 60 days from the date of issue of the invoice. If the debt is not settled within the terms set by the Headteacher then a final reminder should be issued to the debtor. The final reminder should clearly state that legal action will be taken if the debt is not settled in full within a further 3 days of the date of the reminder.

At each meeting of the Local Governing Board (LGB), the Headteacher is required to inform the Governors of any debt which is still outstanding after the 60 day period following the final reminder, together with any proposed action: This may be a referral to solicitors for legal action, a debt collection agency or to write-off the debt if there is no realistic prospect of debt recovery being successful, or if further action is not cost-effective.

Outstanding debt of up to £500 per year may be written-off by the Headteacher, after discussion with the CFO, provided that the appropriate follow-up actions outlined above have been taken. The details of the debtor, amount written-off and the reason for no further action being taken will be reported by the Headteacher to the next LGB meeting and by the CFO to the next Directors Board meeting.

Outstanding debt of up to £1,000 per year may be written-off by the Local Governing Board, after discussion with the CFO, provided that the appropriate follow-up actions outlined above have been taken. The details of the debtor, amount written-off and the reason for no further action being taken will be reported by the CFO to the Directors Board for information at their next meeting.

Any write-off of outstanding debt in excess of £1,000 must be approved by the Directors Board following submission of details of the debt by the CFO together with reasons for no further action being taken.

The Trust will need to obtain ESFA approval for write offs, subject to a £250,000 ceiling, over the delegated limits:

- 1% of total annual income or £45,000 (whichever is the smaller) per single transaction
- Cumulative 2.5% of total annual income in any financial year per category of transaction for any trusts that have not submitted timely, unqualified accounts for the previous two financial years. This category includes new trusts that have not had the opportunity to produce two years of audited accounts.
- Cumulative 5% of total annual income in any financial year per category of transaction for any trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

A write-off must not be communicated to the debtor. It is not an acknowledgement that the debt does not exist, but is an internal transaction in the accounts of the school, which provides for the debt in the records.

Individuals or organisations that have previously defaulted on payments to the school are not allowed credit facilities.

Where a debtor's payments are regularly or consistently paid outside the terms of supply the Headteacher must consider withdrawal of credit facilities and request the individual/organisation to pay for goods/services/facilities at the time they are booked/consumed. For example parents may be required to pay for Nursery sessions at the time of booking.

## Appendix 1 – Example Debt Reminder Letters

Please adapt all letters to suit your own individual school.

### First reminder

Date.....

Dear.....

RE: (NURSERY) FEES - (CHILD'S NAME)

Further to our invoice dated ....., we note that we are still outstanding the amount of £..... for Nursery sessions taken during the month of .....

Please provide full payment within the next 7 days of this letter. If you are not in a position to make this payment, please telephone the school office on 01270 xxxxxx to discuss this matter, as failure to make this payment may result in more formal procedures being invoked.

Payment may be made via the xxx app or online at xxx or in childcare vouchers.

Yours sincerely

Headteacher

### Second reminder

Date.....

Dear.....

RE: OVERDUE INVOICES - REMINDER

Further to our invoice dated ..... And our letter dated....., we note that we are still outstanding the amount of £..... for Nursery sessions taken during the month of .....

Please provide full payment **within the next 7 days of this letter**. If you are not in a position to make this payment, please telephone the school office on 01270 xxxxxx to discuss this matter, as failure to make this payment may result in more formal procedures being invoked.

Payment may be made via the xxx app or online at xxx or in childcare vouchers.

Failure to clear this balance may result in more formal procedures being invoked.

Yours sincerely

Headteacher



### **Third and final reminder**

Date.....

Dear.....

#### **RE: NURSERY FEES – FINAL DEMAND NOTICE**

Further to our invoice dated..... and our reminder letters of..... and ....., we are now writing to inform you that a £12.00 administration fee has now been applied to your account.

The total amount now due is £..... for the nursery sessions taken during the month of.....

We must now insist that this payment is made immediately on receipt of this letter or within 3 working days. Unfortunately, if payment is not received by....., then court action may be taken to recover the debt and you will be responsible for the payment of legal fees in full.

Also we may not be able to offer your child a place in our nursery and will have to ask you to make alternative childcare arrangements.

Payment may be made via the xxx app or online at xxx or in childcare vouchers.

Yours sincerely

Chair of Governors