



# Debt Recovery Policy

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## 1. Policy Statement

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.

As part of its management of public funds, Peterborough Diocese Education Trust (PDET) academies and the central finance team will take all reasonable steps to ensure that all debts owed to it, and therefore the Trust, are collected.

PDET's expectation is that in most cases, academies and the central finance team will seek to obtain the necessary funds prior to the event occurring or any expenditure being incurred. The best way to avoid debts accruing is to ensure payment is up front.

## 2. Background

As part of their management of public funds, Academy Trusts should have a policy in place for ensuring the collection of all debts they are owed. If debts remain unpaid, PDET 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.

Each budget holder (Headteacher in each academy and Chief Operating Officer (COO) in the central finance team) should use this debt recovery policy when dealing with debtors. It should also be used to ensure that debtors understand PDET's position on outstanding debts and the actions it will take if they remain unpaid.

## 3. Objectives and Targets

The purpose of this policy is both to guide the Headteacher in recovering debts and ensuring that outstanding debts do not become bad debts, and to detail the process the Trust will take for any debt owed to it. Headteachers are provided with the delegated authority to manage academy budgets and adhering to the debt recovery policy is key to maintaining fiscal responsibilities.

Wherever possible income should be sought in advance to avoid the potential for bad debt.

## 4. Action Plan

To ensure the collection of debts, PDET academies for academy specific debt and the central finance team for non-academy specific debt 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.

PDET academies for academy specific debt and the central finance team for non-academy specific debt 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 or a face-to-face conversation 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 1)
- **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 2)
- **Failure to respond after two reminders have been sent** – If no payment is received a letter will be prepared by the PDET central team and emailed to the school, who will deliver it to the debtor advising them that the matter may be placed in the hands of solicitors (Appendix 3)
- **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.

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%.

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

## 5. Instalment Plans

Where recovery has been sought by an academy or the central finance team and an instalment plan offers the best opportunity to recover monies owed to the Trust this decision must be documented and provided to the debtor and escalated to the COO.

The number of instalments should not exceed **six** months.

## 6. Bad Debts

Bad debts are only written off when the action plan has been followed and all steps to recover the monies owed have been exhausted.

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

Any debt write off must be authorised by the COO who will record it on the 'Register of Bad Debts'.

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.

## 7. Monitoring and Evaluation

Responsibility for ensuring that this policy is adhered to lies with the Headteacher of each academy and the COO for non-academy specific monies owed.

The Register of Bad Debts will be reviewed by the Business and Finance Committee no less than twice a year.

## 8. Review Period

This policy will be reviewed every three years but may be reviewed / updated as and when necessary / appropriate prior to then (e.g. a change in the law or statutory guidance).

# Appendix 1 - Template First Reminder Letter – Parents / Carers

**This letter should be on academy headed paper / PDET letterhead and sent out by the academy / central finance in accordance with the policy on debt recovery.**

Dear (name of parent or carer)

### RE: Outstanding Debt

Invoice number: XXX      Date: XXX      For £ XXX

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 2 - Template Second Reminder Letter – Parents / Carers

**This letter should be on academy headed paper / PDET letterhead and sent out by the academy / central finance in accordance with the policy on debt recovery.**

Dear (name of parent or carer)

**RE: Outstanding Debt – Second Reminder**

Invoice number: XXX      Date: XXX      For £ XXX

Further to our letter dated <DATE OF LETTER 1>, 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 3 - Template Third Reminder Letter – Parents / Carers

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

Dear (name of parent or carer)

### **RE: Outstanding Debt – Third Reminder**

Invoice number: XXX      Date: XXX      For £ XXX

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

Chief Operating Officer