



The Crossley Heath School

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DEBT RECOVERY POLICY

Version Control

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1	Created	Paula Oldroyd	May 21
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Responsibility: Finance & Business Director
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1. Purpose

The Crossley Heath School will take all reasonable measures to vigorously collect debts as part of its management of public funds in order to reduce any loss of income to the school.

2. Scope

The school's debt recovery policy will observe the relevant financial regulations and guidance set out in the Scheme of Financial Delegation and any other legal requirements.

This policy applies to all recipients of chargeable services provided by The Crossley Heath School.

3. Roles and Responsibilities

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.

3.1 The Governing Board

Responsibility for approving and managing debt recovery has been delegated to the Business and Resources Committee.

The Governing Body will approve the write-off of all debts, stocks, stores and surplus assets in excess of £10k.

All such write-offs will be recorded in the minutes of the governing body.

A formal record of any debts written off will be maintained and this will be retained for 7 years (see Appendix 1).

3.2 Headteacher

The Headteacher can approve the write-off of all debts, stocks, stores and surplus assets between £1k and £10k.

A formal record of any debts written off will be maintained and this will be retained for 7 years (see Appendix 1).

3.3 Finance & Business Director

The Finance & Business Director will seek the advice of the Headteacher before considering taking legal or other action to recover any debt.

The Finance & Business Director can approve the write-off of all debts, stocks, stores and surplus assets below £1k.

A formal record of any debts written off will be maintained and this will be retained for 7 years (see Appendix 1).

3.4 EFSA

The academy trust must obtain ESFA's prior approval for the following transactions beyond the delegated limits described below:

- writing-off debts and losses
- entering into guarantees, letters of comfort or indemnities.

The delegated limits, subject to a maximum of £250,000, are:

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

In relation to these limits:

- the trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled
- the trust should only consider writing-off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative
- the amounts for write-offs are before successful claims from an insurer or the risk protection arrangement
- total annual income is defined as grant income as disclosed in the trust's last audited accounts.

Before accepting liabilities by issuing guarantees, a letter of comfort or indemnity, the trust should secure value for money by appraising the proposal through assessment of the costs and benefits of relevant options.

4 Report of Outstanding Debt Levels

The Head teacher will ensure that the level of outstanding debt is regularly monitored.

Suitable records will be maintained to detail individual debts and the total value of debt to the school in order that it can be determined at any time and reported to Business and Resources Committee where relevant.

The Headteacher / Finance & Business Director / Business & Resource Committee will review the level of outstanding debts every half term to determine whether this level is acceptable and whether action to recover debts is effective.

5 Debt Recovery Procedures

In general payment for all goods and services supplied by the School should be collected in advance or 'at the point of sale'.

The 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
- Income from use of the school's minibuses
- Other occasional miscellaneous income

This policy sets in place the procedures to follow to ensure the invoice is paid, and if not, that debt recovery is attempted.

Where payment from the parent/guardian has not been received in advance, or 'at the point of sale', the following process should be applied:

- a) An invoice should be issued on official school stationery for the full amount in order to officially set up the debt. Where invoices are raised they should state the date by which payment is due;
- b) In all other cases, such as;
 - correspondence with parents, etc. the maximum period that the school regards as reasonable before payment is overdue should be clearly stated, for example contributions for a school trip should be received by [date].
 - payment for items purchased should be made via Parent Pay by [date].
- c) A record of all goods and services will be maintained detailing:
 - type of good/services supplied;
 - value;
 - date(s) good/services supplied; and;
 - the identity of the 'debtor', e.g. parent, hirer, etc.

6. Verbal and Written Reminders

6.1 Details of all reminders, whether verbal or in writing, should be maintained. Where a letter is issued, a copy must be retained on file.

Should a debt need to be taken beyond two reminder letters, formal written evidence may have to be produced.

It is therefore important that at least one, but preferably two, written reminders are sent.

6.2 Initial 'overdue payment' reminder

An initial reminder may be informal and can be made either in person (when a parent/guardian comes to collect/drop off the child), or by telephone.

In general, the Finance Team will notify the parent/guardian.

The date of the initial reminder should be recorded.

6.3 First 'overdue payment' reminder letter

A formal reminder letter should be issued 2 weeks after the initial reminder date.

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.

The date of the initial reminder should be recorded.

6.4 Second 'overdue payment' reminder letter

A second reminder letter will be issued 2 weeks after the First Reminder Letter.

The date of the initial reminder should be recorded.

6.5 Failure to respond to reminders / settle a debt

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 school's legal advisers. At the discretion of the Governing Body / Headteacher/ Finance & Business Director the debtor may 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.

This decision and its basis will be recorded and reported to the Business and Resources Committee where appropriate.

7. **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 people are unable to pay;

The School may reduce or cancel a debt in certain circumstances. A sensitive 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 our 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 School. In this situation an attempt to agree one repayment plan to include all debts will be established.

If a debtor requests 'repayment terms' these may be negotiated at the discretion of the Governing Body / Headteacher/ Finance & Business Director.

A record of all such 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 Headteacher/ Finance & Business Director/ Governing Body 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.

This decision and its basis will be recorded and reported to the Business and Finance Committee where relevant.

8. Costs of Debt Recovery

Where the school incurs material additional costs in recovering a debt then the Headteacher/ Finance & Business Director/ Governing Body will decide whether to seek 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.

This decision and its basis will be recorded and reported to the Business and Finance Committee where relevant.

9. Bad Debts

This debt recovery policy should be cross-referenced to the Scheme for Financing Schools.

Write-off of any debt requires the written approval of the relevant delegated authority depending on the debt amounts.

A record of the write-off, the reason for it, and the approval for it, will be retained for 7 years.

10. Monitoring Arrangements

This policy will be reviewed every three years.

RECORD OF DEBTS WRITTEN OFF

Debtor	Details of Debt	Amount (£)	Invoice Reference and date (where applicable)	Reason for write-off (including brief details of measures taken to secure payment – as appropriate)	Authorisation of write-off – name and signature of authorizing individual and date. Cross reference to entry in the accounts where applicable.