



## **DEBT RECOVERY POLICY**

Approved by the Audit & Finance Committee by virtual meeting

**06.12.21**

**DUE FOR RENEWAL: DECEMBER 2023**

**DECEMBER 2017**

## **1. INTRODUCTION**

As part of sound financial management procedures, Discovery Multi Academy Trust (“the Trust”) will take all reasonable measures to collect debts. A debt will be written off only after all reasonable measures have been taken to recover it.

The Board of Trustees considers that appropriate action will depend on the level of and nature of the debt and those procedures will vary depending upon the income source i.e.:

- Pupil-related e.g. school meals, trips and activities, and
- Commercial e.g. supply of services and lettings

A record of all actions taken in the recovery of the debt must be maintained **by the Administrator or Trust Business Officer** and provided to the Trust’s Chief Financial Officer (CFO).

## **2. PUPIL-RELATED DEBT**

### **2.1 Collection of income**

All income is collected in advance, wherever possible. Costs of trips and activities will be notified to parents/carers as soon as possible. Further details of school meal debt recovery can be found in the School Meal Debt Recovery

Policy.

## 2.2 Debt Recovery Procedure

<b>Outstanding</b>	<b>Required action</b>
Day 1- debt is raised	Debtor has 28 days to clear debt and gentle reminder is issued
Day 30	If debt is still outstanding, personal contact is made via phone with parent/carer and a letter is sent. Parent/carer must respond within 7 days
Day 44	If debt is still outstanding a final reminder/pre legal proceedings letter is sent.
Day 51	If debt is still outstanding, issue legal proceedings to formally recover the debt.

## 2.3 Bad Debt Write-off

All debts, regardless of age, should still be attempted to be collected, and will remain as a bad debt until it is written off.

The CEO, with delegated responsibility from the Trustees, has a write-off limit of up to and including £1,000. The CEO must consult the Chair of Finance and Audit Committee of the intention to write off the debt and formally inform the Trustees at the next meeting.

The decision to recover a debt up to and including £2,500 will be made by the Audit and Finance Committee or Trustees. The decision will be given consideration following a report from the CEO, and it will be clearly minuted. The Trustees cannot write off any income relating to the Local Authority e.g. non-delegated Trust meals income.

The CEO and Trustees will be advised of any debt that exceeds £2,500, so that appropriate debt recovery action can be taken. Before the decision to write off the debt can be made, each case will be considered on its merits and will include consideration of factors such as the value of the debt in relation to the cost of recovery and the likely success of proceedings.

### **3. STAFF DEBT**

#### **3.1 Invoicing and payment periods**

Income will be collected in advance of services provided wherever possible. Invoices will be raised through Iris Financials and payment is requested in full within 30 days of being issued.

#### **3.2 Debt Recovery Procedures**

The following recommended timescale and actions will be applied in respect of staff debt monitoring:

<b>Outstanding</b>	<b>Required action</b>
Day 1- debt is raised	Debtor has 28 days to clear debt and gentle reminder is issued
Day 30	If debt is still outstanding, personal contact is made via phone with staff member and a letter is sent. Staff member must respond within 7 days
Day 44	If debt is still outstanding a final reminder/pre legal proceedings letter is sent.
Day 51	If debt is still outstanding, issue legal proceedings to formally recover the debt.

### **4. FAILURE TO SETTLE A DEBT**

If the debt is a result of an unpaid invoice, then reminder invoices will be sent on a monthly basis for two months.

Any debt unpaid after the final reminder letter has been issued will be referred to the CFO. A letter will be sent to the debtor by recorded delivery and will threaten legal action if the account is not settled within 14 days. Any additional recovery costs incurred by the Trust will also be pursued.

Legal advice may be sought from the Trust's lawyers (Browne Jacobson) through

the CFO and where appropriate, a legal letter will be issued indicating recovery action will be initiated through the county court (where appropriate). The CEO will make a recommendation as to the suitability of this course of action, taking into consideration the value of the debt and proposed legal fees.

This decision and its basis will be recorded and reported to the Audit and Finance committee.

## **5. NEGOTIATION OF REPAYMENT TERMS**

Debtors are expected to settle the amount owed by a single payment. However, if debtors are unable to pay for reasons of hardship, the Trust will take a sensitive approach to debt recovery and may agree an extended repayment period.

The Trust CFO will approve all such agreements entered into and a record of the decision made 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. Where a legal letter has been issued the repayment arrangements will be agreed between the party concerned, the Trust CFO and the lawyers. This decision and its basis will be recorded and reported to the Audit and Finance committee.

## **6. REPORTING OF OUTSTANDING DEBT LEVELS**

The Trust CFO will ensure that the level of outstanding debt is regularly monitored. The Audit and Finance Committee will review the level of outstanding debts at each meeting to determine whether this level is acceptable and whether action to recover debts is effective.

### **6.1 Debt Write Off**

If, after all reasonable efforts to collect the debt has been made and legal action is unsuccessful or impractical, the debts may be referred to the Audit and Finance Committee for write-off.

### **6.2 Write-off Limits**

The Trust must obtain ESFA's prior approval to write off individual debts with a value in excess of 1% of total annual income or £45,000 (whichever is smaller) per single transaction or 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 or 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 (Academy Trust Handbook 2021 Section 5.20).

