

**BISHOP HOGARTH CATHOLIC EDUCATION TRUST**

**DEBT RECOVERY POLICY**

**THIS POLICY APPLIES ACROSS ALL TRUST SCHOOLS AND SERVICES**

**Document Management:**

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Approving Body: Finance & Resources Committee

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| **Change Log** | |
| **Update:** | **Revised debt recovery procedure to include Small Claims Court and debt transfer.**  **Amended thresholds for delegated write-off.**    **loans with asset values above £1,000 must be recorded in a loan book** |
| **Location:** | **Debt Recovery Procedure**  **Write-off Limits and ESFA Guidance** |
| **Summary Date:** | **2/1/2025** |
| **Completed by:** | **Chief Finance Officer – David Leane & Director of Governance – Julian Kenshole** |

**Introduction**

To maximise the recovery of debts and the efficiency of its financial systems and controls, Bishop Hogarth Catholic Education Trust (“The Trust”) is committed to reducing the amount of transactions that are settled by cash.

As part of its sound financial management procedures, 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 Directors considers that appropriate recovery action will depend upon 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

Each case is to be treated individually and the circumstances that have led to the outstanding debt will be considered 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 school is committed to adhering to legal requirements regarding charging for school food, activities and materials, and meeting all statutory guidance provided by the DfE including:

* DfE (2018) ‘Charging for school activities’

A record of all actions taken in the recovery of debt must be maintained (Debt Recovery Record – **Annex 1**).

**Pupil related income**

**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.

**Debt Recovery Procedure**

* Stage 1 - >£50 gentle reminder letter issued
* Stage 2 - personal contact
* Stage 3 - dependent upon the circumstances, a legal letter may be issued
* [UPDATED] Stage 4 - dependent upon the circumstances, the Small Claims Court procedure may be followed to recover the debt at the discretion of the Chief Operating Officer
* [UPDATED] Other steps that may be followed, include:
  + Transferring debt to other categories – e.g. payment for school trips used to pay off catering debt
  + Rolling debt incurred in one Trust school to another – e.g. primary school debt continuing into secondary school

**Debt Write-Off**

The Headteacher of each school has discretion to write-off debts up to the value of £50. A record must be maintained to show the reason for the write-off, the action taken to recover the debt and the authorising signature.

Records must be provided to the Chief Financial Officer who will report all debt write-offs to the Finance & Resources Committee

The Finance & Resources Committee must grant approval for the write-off of all debts above £50.

**Commercial income**

**Invoicing and payment periods**

Income will be collected in advance of services provided wherever possible.

Invoices will be raised through the FMS system and payment is requested in full within 30 days of being issued.

**Debt Recovery Procedures**

* **Stage 1 (8 weeks from date of invoice) -** informal in-person/telephone/email correspondence notifying person of debt (date and time should be officially recorded).
* **Stage 2 (12 weeks from date of invoice) -** an official, dated letter addressed to the debtor should be written up two weeks after the first informal reminder and should acknowledge that it took place.
* **Stage 3 (16 weeks from date of invoice) –** an official final reminder, citing the details of both previous reminders and stating that concerted efforts have been made to make the person aware that an outstanding debt is overdue.

If the debt is as a result of an unpaid invoice then the accounting system will send reminder invoices on a monthly basis for two months

**Failure to settle a debt**

Any debt unpaid after the final reminder letter has been issued will be referred to the Chief Financial Officer.

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

This decision and its basis will be recorded.

**Exceptional circumstances and remissions**

School must ensure that guardians of pupils are aware of the help it can extend to those in financial difficulty. Guardians who may be eligible for remissions are those in receipt of any of the following benefits:

* Income Support
* Income-based Jobseeker’s Allowance
* Income-related Employment and Support Allowance
* Support under part VI of the Immigration and Asylum Act 1999
* The guaranteed element of State Pension Credit
* Child Tax Credit, provided that they are not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190
* Working Tax Credit run-on – paid for four weeks after they stop qualifying for Working Tax Credit
* Universal Credit – if they apply on or after 1 April 2018, their household income must be less than £7,400 a year (after tax and not including any benefits that they receive)

In a case where there is, or it is suspected that there is, an overdue debt from a family who may qualify for remissions, details of the different types of bursary available should be sent to the debtor in question.

**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 Chief Operating Officer 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 Chief Operating Officer and the lawyers.

**Reporting of outstanding debt levels**

The Chief Financial Officer will ensure that the level of outstanding debt is regularly monitored.

**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 Finance & Resources committee for write-off.

**Write-off Limits and ESFA Guidance**

[AMENDED] Our Trust will follow the guidance in the Academies Handbook regarding the write-off of debts. The guidance can change annually and the Chief Financial Officer will review the latest guidance. The Academy trust handbook 2024 states that:

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 or letters of comfort
* entering into indemnities which are not in the normal course of business.

The delegated limits, are:

* 1% of total annual income or £45,000 (whichever is smaller) per single transaction
* cumulatively, 2.5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have not submitted timely, unqualified accounts for the previous 2 financial years - this category includes new trusts that have not had the opportunity to produce 2 years of audited accounts
* cumulatively, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous 2 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 - ESFA should be contacted, if the trust has not yet published their first 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.

**Debt Recovery Record**

To be completed in conjunction with the Debt Recovery Policy

Debtor (Name & Address) …………………………………………………………………………………….……

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Nature of debt………………………………………………………….. Amount £………………………………..

Date debt incurred……………………………………………………

Pupil/Commercial (please delete)

How did the debt arise …………………………………………………………………………………………..….

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Actions taken to date

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<£50 debt in relation to pupil debt can be written off by Headteacher/Principal. Copy to be sent to Chief Operating Officer / Finance Manager for information. The Finance and Resources Committee must approve all commercial debt write-offs and pupil debt above £50. A copy of this form to be sent to the Finance Manager for approval by the Finance & Resources Committee.

Authorised approval to write off the above debt:- Signed ……………………………………………………….

Print name ……………………..……………… Designation ……………………..…………………Date ……….…