



**Mater Ecclesiae**

Catholic Multi Academy Trust

*'One Family in Christ'*

# DEBT RECOVERY POLICY



This document has been approved for operation within:	All Trust Establishments		
Policy Status	New		
Approved by:	Finance, Audit, Risk and Resources Committee		
Owner:	CEO		
Date approved:	24 June 2025	Date of next review:	June 2028
Review period:	Three yearly	Version:	1

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## 1. Scope and Purpose

As part of its appropriate management of public funds, Mater Ecclesiae Catholic Multi Academy Trust will take all reasonable steps to ensure that all debts owed to it and its schools are collected.

This policy provides guidance and the process to be followed for non-payment of debt at Trust level and school level. This policy should be read in conjunction with the Financial Regulations Handbook, the Academy Trust Handbook and the Anti-Fraud, Corruption and Bribery Policy.

## 2. Policy Statement

It is the Trust's policy to identify and proactively manage debt in line with its responsibilities of managing public finances. A debt will be written off only after all reasonable measures have been taken to recover it. The approach to recovering debt will be proportionate and appropriate to the nature of the debt for example, there is a different approach between recovering **pupil related debt** (e.g. school meals, trips etc) and **commercial debt** (e.g. supply of services).

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).

## 3. Roles and responsibilities

### 3.1 The School

- The school is responsible for following this Policy and compliance with the procedures set out within it.
- The school will clearly set out to its debtors, the sums of monies owed and will make every effort to recover these following this Policy and Procedure.
- The school will document all steps taken to recover the debt owed.
- The school will escalate outstanding debt to the Chief Finance & Operations Officer at Stage 4 in line with this Policy (point 4.1).

### 3.2 The Chief Finance & Operations Officer

- To report to Finance, Audit, Risk and Resources Committee for all debt write-offs.
- To oversee compliance against this Policy.

### 3.3 Finance, Audit, Risk and Resources Committee

- Responsible for the approval of debt write offs in line with the responsibilities set out in the Academy Trust Handbook.

## 4. Pupil related income

Schools should make every effort to collect monies in advance, wherever possible. Costs of trips and activities will be notified to parents/carers as soon as possible.

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.

### 4.1 Non-Payment

The following process should be followed on non-payment of monies owed with action documented in the attached Appendix:

- **Stage 1** - Over £50 a gentle reminder letter issued two weeks after the payment deadline has passed.
- **Stage 2** - personal contact four weeks after the payment deadline has passed.
- **Stage 3** - dependent upon the circumstances, a legal letter may be issued eight weeks after the deadline has passed, requesting a response within 10 working days.
- **Stage 4** – School to contact CFOO if no response is received within the stated timeframe, dependent upon the circumstances, the Small Claims Court procedure may be followed to recover the debt at the discretion of the Chief Finance & Operations Officer

Additional steps that may be followed, include:

- Transferring debt to other categories – e.g. payment for school trips used to pay off catering debt.

### 4.2 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 Finance & Operations Officer on a termly basis, who will report all debt write-offs to the Finance, Audit, Risk and Resources Committee.

The Chief Finance & Operations Officer must grant approval for the write-off of all debts above £50 up to £500. Above this, FARR must grant approval.

## 5. Commercial income

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

## 5.1 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.

## 5.2 Failure to settle a debt

Any debt unpaid after the final reminder letter has been issued will be referred to the Chief Finance & Operations 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 Finance & Operations Officer and where appropriate, a legal letter will be issued indicating recovery action will be initiated through the courts (where appropriate). The Chief Finance & Operations 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 using the template in the Appendix.

## 6. 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 the relevant schemes above should be sent to the debtor in question.

## **7. 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 Finance & Operations 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 Finance & Operations Officer and the lawyers.

## **8. 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, Audit, Risk and Resources committee for write-off.

The Chief Finance & Operations Officer will ensure that the level of outstanding debt is regularly monitored. All debts written off by Headteachers must be reported on a termly basis to the Chief Financial and Operating Officer and all debt write offs will be reported to Finance, Audit, Risk and Resources Committee.

## **9. Write-off Limits and Regulatory Guidance**

The Trust will follow the guidance in the Academies Handbook regarding the write-off of debts. The guidance can change annually, and the Chief Finance & Operations 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.

## **10. Related Policies and References**

This policy should be read in conjunction with the following documents:

- Academy Trust Handbook
- Financial Regulations Handbook
- Scheme of Delegation
- Anti-Fraud, Corruption and Bribery Policy.



## APPENDIX

### Mater Ecclesiae Catholic Multi Academy Trust

#### Debt Recovery Record

To be completed in conjunction with the Debt Recovery Policy

Debtor (Name & Address) .....

.....

Nature of debt..... Amount £.....

Date debt incurred.....

Pupil/Commercial (please delete)

School name:

How did the debt arise .....

.....

.....

Actions taken to date

Date	Action	Outcome

<£50 debt in relation to pupil debt can be written off by Headteacher/Principal. Copy to be sent to Chief Finance & Operations Officer / Head of Finance for information. The Finance, Audit, Risk 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 Chief Finance & Operations Officer for approval. A debt above £500 will be reported to the Finance, Audit, Risk and Resources Committee for approval.

Authorised approval to write off the above debt:-

Signed .....

Print name .....

Designation .....

Date.....