



**DEBT COLLECTION POLICY**

<b>Presented to OLOG Audit &amp; Risk Committee</b>	<b>30/03/2022</b>
<b>Presented and Approved by OLOG Board of Trustees</b>	<b>30/03/2022</b>
<b>Signature of Chair of Board of Trustees:</b>	
<b>Name of Chair of Board</b>	<b>Michael Coleman</b>
<b>Date</b>	
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# Debt Collection Policy

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# Debt Collection Policy

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## 1. Introduction

The purpose of this policy is to ensure that Our Lady of Grace Catholic Academy Trust ('the trust') maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management with regards to its debt collection. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education/ESFA.

The Trust has a duty to ensure that it receives all the funds to which it is entitled. This policy ensures the appropriate procedures are in place to deal with debts and the recovery of assets. It encompasses all debts owed to the Trust including, but not limited to, payments for goods, services, extended school provisions, school trips, lettings and school meal payments. It also covers overpayments of salary and the recovery of money or assets lost through theft or fraud.

## 2. Summary of Authorisation Limits (Bad Debts)

The Education Skills Funding Agency (ESFA) requires the Trust to obtain prior approval for the writing off of debts or losses that are over £45,000 per transaction or 1% of total annual income whichever is smaller. The ESFA stipulates that the Trust should always pursue recovery of amounts owed to it, irrespective of how they came to be made. Should it be considered that a debt of this size should be written off, the Chief Finance Officer (CFO) and Chief Accounting Officer (CAO) will be responsible for gaining the necessary clearances from the ESFA.

Due to the limited level of commercial activities undertaken by the schools, it is not expected that any debts will be required to be written off.

The Headteacher may authorise writing off bad debts up to a value of £1,000, however all proposed write offs to be reported to the Chief Finance Officer, regardless of value, for consideration and assessment of potential recovery measures, prior to approval by the Headteacher.

Requests for write offs above £1,000 are to be referred to the Local Finance Committee. All bad debts written off by the Headteacher will be reported to the Local Finance Committee at the next meeting.

For any write offs above £45,000 (single transaction or 1% of total annual income) will be referred to the Board of Trustees and the Local Governing Body notifying the ESFA at the same time in line with the Academies Handbook. Authorisation for such write off is required from the Education Skills and Funding Agency.

A sequence of smaller write offs within the above limits to cover a larger write off, is not permitted.

### Authorisation Limits

Writing off bad debts	
Headteacher	Up to £1,000
Local Finance and Premises Committees	Over £1,000
Full Governing Body with ESFA notification	Over £45,000 per single transaction (or 1% of total annual income)

## 3. Income streams covered by this policy

This policy applies to the following income streams (but not limited to);

- Income from parents for educational visits and extended school provisions (HSDN, Viridis, FT nursery charges, wrap around care such as breakfast club, after school clubs, 6 o'clock club/Tea Time club/MAE, and lunch provision for pre-school provision).
- Other public bodies – (insurance claims, student grants, polling station fee, HNF funding from Local Authorities outside of Newham where the grant is invoiced).
- The public, mainly for sports/hall lettings (e.g. karate club), site manager's rent (St Helen's)
- Other local schools or organisations – sale of services (mentoring, course fees, SCITT monitoring services etc), recharge for cost incurred re partnership projects (FOV)

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These services (apart from educational visit, wrap around care) must to be invoiced using the Trust's financial system, IRIS financial in advance (e.g. pre-school or FT nursery provision either half termly or monthly in advance).

The preferred payment term is within 14 days of the date of the sales invoice, however for lettings, payments must be made in advance for the use of facilities wherever possible.

Wrap around care and educational visit charges are recorded using the School's cashless system (currently using ParentPay, SchoolMoney or PayPlus, but moving to School Ping from 2022/23 academic year).

The Trust's Financial Regulation details the processes for the online cash collection systems, which states that any outstanding balances over £100 per parent/staff showing on the cashless system must be reported to the Headteacher by the School Business/Office Manager on a monthly basis to ensure that unpaid debts are not accumulating without corrective action taken.

## 4. Debt Recovery Process

In practice there will be both practical and legal limits as to how cases should be handled and there are some debts where the effort to recover will be judged to outweigh the reward.

Records should be kept of all contact made and letters sent; preferably electronically either in IRIS Financials Sales Ledger (notes/chase letters functions) or in the relevant School's finance google drives (e.g. HEL FINANCE/Income/Sales Ledger or Parents folders). These should be kept for 7 years.

The School Business Manager/Office Manager will establish a sales ledger account for each organisation and produce a sales invoice from the accounting system. Payments by BACS should be encouraged whenever possible (which is reflected on the sales invoice template).

The Trust's management accountant will review the Sales ledger report (aged debtors) each month end to identify any long outstanding debtor balances and discuss any identified concerns with the School Business/Office Manager.

The School Business Manager/Office Manager will chase outstanding debts and ensure that no services/facilities are used by the relevant debtor unless payment has been received by the school.

Where payment from the parent/guardian has not been received in advance, or 'at the point of sale', the school should speak to parents/carers in the first instance and explain the requirement for the debt to be repaid, agreeing a reasonable repayment plan where necessary. The repayment plan must be documented on the Sales Ledger account (note function or attaching letter sent to parent).

If payment has not been received by the due date or in line with the agreed repayment plan, the following will apply:

- (a) Debt not cleared by the due date: **First reminder letter to be issued** (preferably using IRIS Financials chase letter function.) At this point all future services/lettings will be suspended pending payment in full.
- (b) 14 days after first reminder letter: **Second reminder letter** (preferably using IRIS Financials chase letter function.) to be issued advising the debtor that non-payment could result in referral to the trust's legal services provider or log claim with [www.moneyclaims.service.gov.uk](http://www.moneyclaims.service.gov.uk)
- (c) 14 days after second reminder letter: **Issue report to the Local Governing Body** for advice on how to proceed (e.g. referral to trust's legal services provider for recovery of debt). If referral to legal adviser or the use formal debt collection services agreed by the LGB then the School Business Manager need to inform the CAO and CFO to that affect to start proceedings.

If, having taken legal advice, it is determined that the debt is not recoverable it will need to be 'written off' following the appropriate authorisation process.

No debts should be written off without authorisations. Delegation of authority of authorise write offs are detailed on page 3 of this policy.

## Links to other policies/documents

## First Reminder Letter

[Insert date]

Dear [name of debtor/parent],

Following our conversation on [insert date of conversation], I am writing to remind you of the outstanding [insert amount of money] owed to the school for [insert source of debt, such as school meal costs]. [Insert details of why this letter has been sent, such as:

We have not yet received payment from you towards reducing this debt.

We have noticed that you haven't kept up with the payment plan as agreed in our conversation.]

You can pay the debt in full using [insert payment method details here].

[Insert sanction if relevant] Unfortunately until this matter is resolved, your child will not be able to make use of this service.

If by [insert deadline] you either haven't paid off the debt or contacted us to set up a payment plan, we will seek legal advice on recovering the debt.

Our school budget is intended to support children's learning, and we cannot use it to cover debt owed to the school.

Thank you for your help and understanding. Please don't hesitate to contact me if you have any questions or difficulties complying with this letter.

Yours sincerely,

[Insert name]

School Business/Office Manager or Head Teacher

## Second Reminder Letter

[Insert date]

Dear [name of parent/debtor],

I am writing to you following [insert dates of any letters sent or meetings had concerning the debt].

Your outstanding debt is [insert amount]. As we have not received payment from you to settle this cost, I have no option but to refer this outstanding debt to our advisers to see what legal action we can pursue to recover it.

We will contact you in due course over the action we will take, which could include making a claim in the small claims court.

To prevent this, please contact the school office immediately to discuss steps you can take to repay the debt.

Yours sincerely,

[Insert name]

School Business/Office Manager or Head Teacher