



# School Debt Management Policy

## **Introduction**

This policy aims to help the schools within Diamond Learning Partnership Trust (DLPT) to adopt a consistent approach to debt with a view to eliminating it completely. It provides clarity and consistency in managing debt and will also help parents and carers clearly understand what is expected.

DLPT is committed to ensuring equal opportunities for all pupils, regardless of financial circumstances, and has established policies and procedures to ensure that no child is discriminated against by offering of school trips, activities and educational extras throughout the schools.

While this is the case, The Trust must have a policy in place to ensure the repayment and recuperation of any outstanding debts incurred by the school on behalf of a pupil. The school must take all reasonable measures to vigorously collect debts as part of its management of public funds. 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.

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. DLPT is committed to adhering to legal requirements regarding charging for school food, activities and materials, and meeting all statutory guidance provided by the DfE. The services provided by school are no different to those provided by any other business and the meals and other services must be paid for.

Parents who are experiencing difficulty in paying for a chargeable service offered by the school should inform the school office immediately. In most circumstances a payment plan can be agreed to help parents clear their debt to the school as soon as possible. Large debts left unpaid may be passed to a professional debt collection firm to legally recover.

## **Management of Debt**

In accordance with the funding agreement from the Education and Skills Funding Agency (ESFA), the DLPT is required to apply robust financial controls which conform to the requirements of both propriety and good financial management.

The Trust is responsible for ensuring that procedures are in place for the recovery of any outstanding debt. This policy sets out the procedure for debt recovery for those schools within the Trust and for the write-off of any debt which is deemed to be irrecoverable.

Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. Schools are responsible for monitoring and reviewing their levels of debt.

The Education and 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. 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 CFOO and CEO will be responsible for gaining the necessary clearances from the ESFA.

A bad debt is considered to be an amount over £50 that has been outstanding for more than 15 working days.

Amounts up to £100 per pupil debt per annum may be approved by the Headteacher for write off or to be placed on a payment plan. Any debts will be written back to the school budget regardless of the financial year they were accrued.

Debt between £101 and £1,000 require approval by the CEO. Such approval will only be given after a recommendation from the CFOO. The writing off debt of a value over £1,000 must be approved by the Finance & Audit Committee.

The CFOO must be notified of any debt write off and the Trust will retain a bad debt write-off summary and this will be reported annually to the Trust board

The VAT element of any debt must not be written off as this contravenes HM Customs and Excise statutory requirements.

### **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 and these should be retained for 7 years.

The recovery process is:

1. Informal reminder: The debtor will be informally reminded, in person or by telephone, that they owe money to the school.
2. First reminder letter: If the debt is yet to be paid two weeks after an informal reminder, a formal letter will be sent to the debtor. At this point an invoice should be raised in the trust's financial system if this has not already been done. A letter template is included in appendix 1.

3. Second reminder letter: If the debt is yet to be paid two weeks after a first formal reminder, a second formal letter will be sent to the debtor. These letters allow the debtor every opportunity to settle their debt and ensure the school can prove all reasonable steps have been taken to recover the debt should the issue proceed further. At this point the debtor should be advised that they will have to pay in advance for all paid for services in the future if this has not already been done. A letter template is included in appendix 2.
4. Final reminder letter: If no response is received following the second reminder after a further 2 weeks, the school will send a letter to the debtor advising them that they will be considering legal action. This letter will be sent by recorded delivery to ensure the debtor has had every chance to respond. A letter template is included in appendix 3.
5. Possible legal action: The Headteacher will consult with the CFOO to decide whether to take legal action against the debtor using the trust's legal advisors. The first stage will likely be a solicitor's letter followed by consideration of action through debt collection agencies or the small claims court. All future services relating to that debtor should be stopped until payment is received in full.

## **Financial Processes**

All debts should be recorded either via Arbor Payment or through the raising of invoices on Sage. This will enable the effective tracking of debt across the Trust.

School staff should note that the raising of a sales invoice or transactions via Arbor Payment crystallises the income in the school's accounts. Should the invoice prove to be irrecoverable, the writing off of the debt will reduce the income of the school accordingly.

The Aged Debt report in Arbor should be reviewed at the end of each month by the Headteacher/School Business Manager to ensure that appropriate action is being taken. A list of outstanding debt invoices retained in Sage will be shared with schools on a monthly basis.

Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue reminder'.

If a debtor asks for 'repayment terms' these may be negotiated at the discretion of the Headteacher/School Finance Lead. A letter will be issued to the debtor confirming the agreed terms. The settlement period should be the shortest that is judged reasonable. Any agreement for repayment spanning a financial year must be agreed with the CFOO.

The Headteacher should decide whether any debtor who has been granted extended settlement terms will be offered any further 'credit' or should be required to pay in advance in future.

Where the school incurs material additional costs in recovering a debt then such costs should be recovered from the debtor. The debtor will be formally advised that they will be required to pay the additional costs incurred by the school in recovering the debt.

Where the family owing a debt has more than one pupil being educated in the Trust then paid for services may be withdrawn from all pupils until the debt is paid.

Where remittances are not cleared ("bounced" cheques) the finance team will identify the school concerned as soon as possible and inform the school so the debt can be recovered.

### **Specific Debts and Trigger Points for Action**

- Dinner Money for pupil meals

Dinner money should be paid in advance. It is suggested that debts of more than a week should not be allowed to be built up, but each school will need to consider its own procedures as to whether a meal is provided to a child where significant debts have been accumulated. Such decisions will take into account the age of the child and known family circumstances.

Where a family is known to have financial difficulties then a recommendation for the registration for free school meals should be pursued, with the school offering assistance if required.

Legally there is no requirement to provide a meal if payment is not forthcoming. Failure to pay in advance may result in the withdrawal of services.

- Trips and Educational Visits

A voluntary charge will be requested to cover the cost of educational visits and other activities. However, charges cannot be enforced where this forms part of the curriculum. Where the level of non-payment renders a trip financially unviable, consideration will be given to cancellation.

Visits that take place outside the academy day or as part of an extracurricular activity can be charged for, and parents are expected to meet the full cost of the trip. Parents are notified of the cost in advance and may pay by instalments once an initial deposit is made. Full payment for trips must be paid in advance. If full payment is not received in advance of the departure date

the Academy retains the right to withdraw the place, retain the deposit to cover costs incurred and refund the sum of the remaining payments. Trip deposits are non-refundable.

- Childcare

This includes paid-for childcare including nursery, before and after school clubs, holiday clubs. Payment should be required in advance of the service being provided to avoid debts occurring. Should a debt of 2 weeks of fees be incurred then the matter should be formalised (invoice raised, formal reminder sent). The Headteacher should also at this point withdraw the service until the debt is cleared.

- Music Lessons

Music lessons should be paid for in advance. The school is often committed to making payment for the lessons for the full year and it is strongly suggested that the commitment from the parent matches the commitment to the supplier and such commitment should be made in writing.

- Lettings

Lettings should be billed in advance, with appropriate agreements in place in writing and full payment is required within 10 working days of receipt. Access is withheld for further use of the facilities once a debt has been outstanding for 4 weeks or more unless the alternative arrangements are specified in the lease or license. Charges will reflect the school's costs for energy, water and lighting as well as those incurred for opening and closing of the school by the Caretaker or member of staff.

Please refer to our terms and conditions of booking policy on Policy Tracker for more details.

- Staff debts

Overpayments of salaries will normally be recovered through raising an invoice from the payroll information.

Staff should not be allowed to incur debts for incidental items such as for school lunches.

- Losses due to fraud or theft

Losses due to fraud or theft should always be pursued as far as is practical. The police should normally be involved in such cases and school should consult our insurance provider.

## **Remissions**

Where there is a genuine difficulty in making payment, parents should in the first instance be encouraged to register for free school meals if eligible as this will also release an income stream to the school. Schools are able to use income for deprivation, including but not limited to pupil premium, to support pupils whose parents would otherwise not be able to afford access to school trips, childcare, music lessons or other school activities. Any remission should be recorded and applied equally in schools, taking into account the financial position.

## **Letter Templates**

Appendix 1

Appendix 2

Appendix 3

## Appendix 1 – First Debtors Letter (sent via email / hardcopy)

Parent or carer of A Child

Address

Date

Our records show that there is still an amount outstanding for (please delete as appropriate) breakfast/after school club/dinner/trip/residential/tuition/music tuition for your child **Child's name, class name** despite previous communication.

As at **Date** your account is showing a balance of £-0

Please arrange for this money to be paid immediately. You can pay via your Arbor Payment Account. You can check the account balance anytime by logging into your Arbor Payments account.

**(Amend as appropriate)** Since non-payment for activities offered by the academy affects the quality of service we offer to the children, we need to ensure that all payments are up-to-date and I am afraid that if the balance is not cleared by the start of next week, or no dialogue has taken place with the academy to resolve the issue, it will not be possible to provide your child with breakfast/after-school club/dinner/trip/residential/music tuition. (please delete as appropriate) You will need to make your own arrangements for your child's lunch.

If you have already paid the outstanding amount by the time you have received this reminder, please accept our apologies, disregard this letter and report your payment to our school office.

If you would like to discuss this matter please do not hesitate to contact the school. The school is keen to provide any necessary assistance and support it can to try and resolve this matter as quickly as is possible. Our contact details can be found at the top of this letter.

Yours sincerely

**Headteacher**

## Appendix 2 – Second Debtors Letter (sent via email / hardcopy to parent)

Parent or carer of A Child



Address

Date

## SECOND REMINDER

Despite my previous letter of (date) (copy enclosed) it appears that the amount owing for (please delete as appropriate) breakfast/after-school club/dinner/trip/residential/tuition/music tuition for your child Child's name, class still remains outstanding.

As at date your account is showing a balance of £x. This amount should be paid via Arbor with immediate effect.

As stated in that letter until the debt is cleared it will not be possible to provide your child with breakfast/after-school club/dinner/trip/residential/music tuition. (please delete as appropriate) You will need to make your own arrangements for your child's lunch.

Parents/carers who are experiencing difficulty with payment or who are eligible for Free School Meals for this academic year and have not already applied should contact the school office immediately.

I must advise you that failure to settle this outstanding amount will result in your debt being referred to The Trust to begin proceedings to recover the debt as appropriate.

If you would like to discuss this matter please do not hesitate to contact the school. The school is keen to provide any necessary assistance and support it can to try and resolve this matter as quickly as is possible. Our contact details can be found at the top of this letter.

Yours sincerely

Headteacher

Appendix 3 – Third Debtors Letter

Reminder 3 – Sent post

Parent or carer of A Child

Address

Date

FINAL REMINDER

Despite two previous letters of (date) from XXX Academy (copies enclosed) it appears that the amount owing for (please delete as appropriate) breakfast/afterschool club/dinner/trip/residential/tuition/music tuition for your child Child's name, class still remains outstanding.

As at date your account is showing a balance of £0

As XXX Academy has not been able to recover this debt it has now been referred to The Trust, please make payment with immediate effect via Arbor.

If you are experiencing financial issues please contact me as soon as possible to discuss, my contact details can be found at the bottom of this letter. The Trust is keen to provide any necessary assistance and support it can to try and resolve this matter as quickly as is possible. If I do not hear from you or payment is not made within 7 days of the date of this letter, we then may pass this over to our legal team to start proceedings.

Yours sincerely,

Jonathan Lewis

Chief Finance and Operating Officer

Diamond Learning Partnership Trust