

Debt Recovery Policy

(Part of Financial Regulations)

Prepared by:	Emily Trotter, Corporate Services Lead		04/03/15
Reviewed by:	Felicity Greeves, Chief Executive Officer		04/03/15
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As specified in the Academies Financial Handbook 2014, Fylde Coast Academy Trust must ensure economy, efficiency and effectiveness in our use of public funds. Financial and other controls must be put in place and rigorously maintained to conform to the requirements of both propriety and good financial management.

The Academies Financial Handbook 2014 encourages the recovery of all debts and indicates that writing-off should only be considered after careful appraisal of the facts including whether all reasonable action has been taken to effect recovery from the debtor.

This policy sets out the procedures for debt recovery and the write-off of any debt deemed irrecoverable.

Income Collection

The Academies receive the majority of income from grant funding; however, smaller amounts of income are also collected for school meals, visits/trips, lettings and deployment of Specialist/National Leaders of Education.

Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, a debtor's account will be opened.

Bad Debts

Non-payment of debts will be followed up by issuing reminders at the following intervals:

- 2 weeks from date of account – first reminder;
- 5 weeks from date of account – second reminder;
- 8 weeks from date of account – final reminder.

The final reminder will be sent by recorded delivery and will threaten legal action if the account is not settled within 14 days.

On a termly basis, the Corporate Services Lead will review the level of outstanding debts to determine whether this level is acceptable and whether action to recover debts is effective.

If, after 10 weeks from the date of account, the account has still not been settled, legal action will be considered by the Corporate Services Lead and the Academy Principal. In determining whether to pursue legal action to recover the debt, the following will be considered:

- Hardship – where paying the debt would cause financial hardship;
- Ill health – where our recovery action might cause further ill health;
- Time – where the debt is so large compared to the person's income that it would take an unreasonable length of time to pay it all off;
- Financial impact on the Academy;
- Financial impact on the debtor;

- Potential impact of any precedent set.

If legal action is considered appropriate, the debtor will be informed in writing. The debtor will be informed that they will be liable for costs and that the debt will be subject to statutory interest from the day it became due.

If legal action is not pursued, or has been unsuccessful, individual irrecoverable debts may be written off in accordance with the requirements of the Academies Financial Handbook 2014 as follows:

- Debts of less than £1,000 may be approved for write off by the Academy Principal and Chief Executive Officer;
- Debts over £1,000 must be approved for write off by the Board of Directors.
- In all cases, the Corporate Services Lead must provide 30 days notice of the intention to write off any debts owed to the Secretary of State for Education.
- Where the debt to be written off exceeds any of the following, the Corporate Services Lead must obtain the Education Funding Agency's prior approval:
 - 1% of total annual income (defined as grant income as disclosed in the Trust's last set of audited accounts) or £45,000 (whichever is smaller) per single transaction;
 - Cumulatively, 5% of total annual income in any one financial year.

School Meals

On a termly basis, the Academy Finance Team will check the level of debts relating to school meals.

- Up to £10 – A reminder letter/text will be sent to parents requesting that the account be topped up;
- £10 – £25 – A reminder letter will be sent to parents noting that the account must be topped up before any further meals can be ordered and that the child must be provided with a packed lunch in the meantime.
- Over £25 – A letter will be issued to parents noting that the debt must be cleared within 7 days and if this is not actioned, the standard debt recovery procedure will be initiated culminating in legal action. The letter will also reiterate that parents will not be able to order any further meals until the account is in credit and that the child must be provided with a packed lunch in the meantime.

Trips and Visits

On a half-termly basis, the Academy Finance Team will check the level of debts relating to trips and visits.

- Up to £100 – A reminder letter will be sent to parents requesting that the balance be paid prior to the trip or visit;
- £100 – £300 – A reminder letter will be sent to parents noting that the balance must be paid prior to the trip or visit and noting that if this is not actioned the child will not be able to attend;

- Over £300 – A letter will be issued to parents noting that the debt must be cleared within 7 days and if this is not actioned, the standard debt recovery procedure will be initiated culminating in legal action. The letter will also reiterate that the child will not be able to attend this or other trips or visits until the debt is cleared.