



LIGHTHOUSE
SCHOOLS PARTNERSHIP

Debt Recovery Policy

Non-Statutory

Policy Approved by the Senior Leadership Team

Signed: *Gary Lewis*

Date: 7 November 2023

Gary Lewis

Chief Executive Officer

Authorised for Issue

Signed: *Louise Malik*

Date: 7 November 2023

Louise Malik

Chief Financial and Operating Officer

Document History

Version	Author/Owner	Drafted	Comments
1.0	Sue Warneford-Thomson	March 2021	New policy
2.0	Louise Malik	Summer 2023	Scheduled policy update

Date Policy Adopted	7 November 2023
Review cycle	Biennial
Review date	February 2025

This Policy applies to all schools and employees within the Lighthouse Schools Partnership.

1. Rationale and Aims of the Policy

The aim of this policy is to ensure that all Trust schools properly manage and account for bad debts. Trust schools must take all reasonable measures to collect debts as part of their management of public funds. A debt may be written off only after all reasonable measures, commensurate with the size and nature of the debt, have been taken to recover it.

This policy observes the relevant financial regulations and guidance set out in the current Academies Trust Handbook, the Trust's Funding Agreement with the Secretary of State, the Trust's Scheme of Delegation, and the Trust's Finance Policy.

It is a school's responsibility to manage debt recovery within the terms of this policy, recognising that schools are best placed to understand the context and circumstances of individual families.

2. General requirements

In general, payment for all goods and services supplied by a school must be collected in advance or 'at the point of sale' (in most cases via ParentPay.com for payments made by Parents/Carers). These include Extended Day Services, 'Optional Extras' as defined by the Trust's Charging and Remissions Policy, Music and Vocal Tuition and fees for Early Years (Nursery) provision. Schools must not use this policy to collect voluntary contributions towards school activities and trips. The Trust's Lettings Policy also requires that all lettings' charges **must** be paid in advance of the date of the lettings.

Schools must have good processes in place to limit the debts that parent/carers and other customers/lessees are able to accumulate.

The following process must be applied;

- a. A record of all goods and services supplied must be maintained (this may be a ParentPay record) detailing:
 - i. type of good/services supplied;
 - ii. value;
 - iii. date(s) good/services supplied; and;
 - iv. the identity of the individual
- b. Where invoices are raised these must state the date by which payment is due. In correspondence, the maximum period that the school regards as reasonable before payment is overdue must be clearly stated, for example payment for music tuition must be received by date/month/year or payment for items purchased must be sent to the school office by date/month/year.
- c. The Trust has determined that, unless otherwise specified, for goods or services provided by the school an acceptable credit period is 2 weeks. For services where payment in advance is required schools may initiate debt recovery procedures, the first stage which may be informal, within a period of less than 2 weeks.

3. Procedure for Debt Recovery

- a. Recording and reporting of outstanding debt levels

Suitable records must be maintained to detail individual debts and the total value of debt to the school, in order that it can be determined at any time and reported on to the relevant governor committee.

The Headteacher must ensure that the level of outstanding debt is monitored on a regular basis and the appropriate action taken in line with this policy.

Example letters for use with Parents/Carers are provided at **Appendix 1**. A similar approach, with reminders and a record of action taken, should be used with other debtors.

b. Verbal, Written and Electronic Messaging Reminders

Details of all reminders, whether verbal, in writing or via electronic messaging, must be maintained. Where a letter is issued, a copy must be retained on file. A Debt Recovery Record as at **Appendix 2** can be used for this purpose. This is important because it will be necessary to evidence that all reasonable attempts have been made to recover the debt, and that attempts have been made in a timely manner, if formal action to recover the debt is required. The reminder process is detailed below:

i. Initial 'overdue payment' reminder

An initial reminder may be informal and can be made either in person, by telephone or via the ParentPay.com.

The date of the initial reminder must be recorded.

ii. First 'overdue payment' reminder letter or electronic message - Appendix 1a

A formal reminder letter/message must be issued 2 weeks after the initial informal reminder.

The date of the first reminder letter must be recorded.

iii. Second 'overdue payment' - Appendix 1b

A second reminder letter must be issued 2 weeks after the First Reminder Letter.

The date of the second reminder letter must be recorded.

iv. Meeting - payment plan - Appendix 1c

If payment has not been made 1 week after the Second Reminder Letter has been sent the debtor must be asked to attend a meeting in which a payment plan is agreed and signed by both the school and debtor. The payment plan should include:

- Parent/Carer Name and Address;
- School Name and Address;
- Amount Owed;
- Repayment Period;
- Payment Instructions;
- Signature of both parties.

The payment plan agreed should be recorded and kept with the Debt Recovery Record.

c. Failure to Respond to Reminders /Settle a Debt - Appendix 1d

If, after 2 reminders, a response or payment is not received, a third 'debt recovery letter' letter will be sent to the debtor advising them that the matter may be referred to the School's Legal Advisors, Browne Jacobson, or pursued through the small claims court, where cost effective to do so.

At the discretion of the relevant governor committee, the debtor may be advised that they will be required to pay in advance for all future services. This decision and its basis will be recorded and reported to the Local Governing Body.

d. Negotiation of repayment terms

Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder. If a debtor requests 'repayment terms' these may be negotiated at the discretion of the Headteacher. A record of all such agreements entered into must be retained.

In all cases, a letter must be issued to the debtor confirming the agreed terms for repayment. The settlement period must be the shortest that is judged reasonable.

e. If people are unable to pay

If people are unable to pay the school may reduce or cancel a debt in certain circumstances. A sensitive approach to debt recovery will be carried out, taking the following factors into account.

- i. Hardship - where paying the debt would cause financial hardship.
- ii. Ill health - where our recovery action might cause further ill health
- iii. 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.
- iv. Cost - where the value of the debt is less than the cost of recovering it.
- v. Multiple debt - where someone owes more than one debt to the school. In this situation an attempt to agree one repayment plan to include all debts will be established.

The relevant governor committee must decide whether any debtor who has been granted extended settlement terms will be offered any further 'credit' or will in future be required to pay in advance. This decision and its basis must be recorded and reported to the Governing Body.

f. Costs of debt recovery

Where the school incurs material additional costs in recovering a debt then the relevant governor committee will decide whether to seek to recover such costs from the debtor. The debtor will be formally advised in writing that they will be required to pay the additional costs incurred by the school in recovering the debt. This decision and its basis must be recorded and reported to the Local Governing Body.

4. Writing off Bad Debts

A formal record of any debts written off with the reason for it (using the form attached at Appendix 3), and the approval must be made and retained for 7 years.

Debts up to £500

- The Headteacher / School Business Manager may write off individual debts not exceeding £25.
- To write-off of any debt over £25 up to a maximum of £500 they must be referred to the LSP Chief Financial and Operating Officer (CFOO) who has authority to write off the debt.

Debts over £500

- Individual debts below £1,000 may be written off with authorisation of the LSP Chief Executive Officer.
- All debts in excess of £500 when written off within the above limits must be reported retrospectively to the Board of Trustees.
- Individual debts above £1,000 must be referred to the Trustees, who have authority to write off the debt.

Further detail is provided in the Trust's Finance Policy.

The prevailing Academy Trust Handbook will specify the level at which bad debt write offs must be authorised by the ESFA.

5. Relationship to other policies

- LSP Finance Policy
- LSP Charging and Remission Policy
- LSP Lettings Policy

Appendix 1a

First Overdue Payment Reminder Letter

[date]

Dear Parent/Carer,

Overdue payment

As I am sure that you will appreciate, XXXXX School has a policy of ensuring that all reasonable measures are taken to clear debts, so that the school budget is not used to pay for debts incurred by parents/carers, but on providing the best possible education for the children in our school. We request that all parents and carers give this policy their full support.

Parents/Carers must pay in advance for all optional activities, where these have an associated cost, but you have not provided payment of £XXX for XXXX for your child XXXXXX in Class XX.

Please make payment via ParentPay or XXXXX within the next 14 days.

If your family is suffering from financial hardship, or if you have any other concerns, please do not hesitate to contact me.

Yours sincerely,

Headteacher

Appendix 1b

Second Overdue Payment Reminder Letter

[date]

Dear Parent/Carer,

Outstanding Debt

Further to our letter of DD/MM/YY, our records show that you still have an outstanding debt for your child XXXXXX Class: XX

As at DD/MM/YY, your account is showing a debt of £XXX for XXXX. The breakdown of this outstanding debt is as follows: XXXXX

Please arrange for this money to be paid via ParentPay within the next 7 days. Once this debt is cleared, please ensure the account is always in credit.

If you have any queries regarding these arrears, please contact the school office immediately.

Yours sincerely,

Headteacher

Appendix 1c

Payment Plan Letter

[date]

Dear Parent/Carer,

Outstanding Debt

Further to our letters of DD/MM/YY and DD/MM/YY, our records show that the outstanding debt of £XXX for XXXX for your child XXXXXX, Class XX remains unpaid.

As at DD/MM/YY, your account is showing a debt of £XXX for XXXX. The breakdown of this outstanding debt is as follows: XXXXX

To avoid formal action being taken to collect this debt, please contact the school office within the next week to arrange a meeting with me so that we can agree a repayment plan so that this matter can be resolved as a matter of urgency.

Yours sincerely,

Headteacher

Appendix 1d

Failure to Respond to Reminders/Settle a Debt Letter

[date]

Dear Parent/Carer,

Failure to respond to reminders/settle a debt

Our records show that despite my letters of DD/MM/YY, DD/MM/YY and DD/MM/YY, you still have not paid outstanding monies owed to the school for your child XXXXXX, Class XX or made any attempt to discuss this matter with us.

As of DD/MM/YY, your account is showing a debt of £XXX. The breakdown of this outstanding debt is as follows: XXXXX

The school will be asking the Trust's solicitors to commence formal debt recovery procedures (which may include court proceedings) if we do not hear from you by DD/MM/YY.

If you have any queries regarding these arrears, please contact me immediately.

Yours sincerely,

Headteacher

Appendix 2

Debt Recovery Record

Name of Child:	
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Class:	
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Event:	
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Total Amount Owed:	£
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Reminders		Date of Action	Who made the contact and who did they communicate with (Please attach evidence of all correspondence)
Initial Reminder	Telephone call Conversation Parent Pay		
First Overdue Payment Reminder (Issued 2 weeks after Initial Informal reminder)	Letter Electronic Message		
Second Overdue Payment Reminder (Issued 2 weeks after First Overdue payment Reminder Letter)	Letter		
Meeting (Arranged 1 week after Second Overdue Payment Reminder letter is sent and no payment received)	To agree a Payment Plan		
Further Action			

Account Cleared on (date)

Signed:

Appendix 3

DEBT WRITE-OFF FORM

Date	Total amount £	
Nature of debt Eg School trip, dinner money etc	No. of debts	

Please attach a list of the debts being written off.

Reason for debt being written off:	<i>For example: FSM, family in financial difficulty (or write on attached list)</i>
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Authorisation

Signature of SBM/Head (Debts not exceeding £25):		Date:	
Signature of CFOO (Debts less than £500):		Date:	
Signature of CEO (Debts between £500 to £1,000):		Date:	
Refer to Academy Trust Handbook (for debts over £1,000)		Date:	