Three Spires TRUST

'Life in all its fullness'

Debt Recovery Policy (Primary)

Policy owner	Trust Accountant
Approved by	Trust Board
Approval date	Summer 2025
Review date	Summer 2028

Policy Version Control

Version	Date	Author	Changes
1.0	December 2024	Trust Accountant	Original Policy

Contents

1. Aims

This policy aims to ensure that:

- The Trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the latest Academy Trust Handbook
- The Trust and those associated with it operate in a way that commands broad public support.
- The Trust has due regard to propriety and regularity, and ensures value for money, in the use of public funds.
- Trustees fulfil their fiduciary duties and wider responsibilities as charitable trustees and company directors.
- All reasonable measures are taken by the Trust to collect debts as part of its management of public funds.
- A debt will only be written off after all reasonable measures (dependent on the size and nature of the debt) have been taken to recover it.

2. Legislation and Guidance

This policy is based on the Academy Trust Handbook, which states that Trusts are free to design and implement their own debt recovery policy so long as the aims above are adhered to from a reporting viewpoint.

Definitions

Debtors: any person, entity or body owing money to the Trust

Money owed to the Trust could take many forms, examples of these are as follows:

- Trips
- Lettings
- Rent
- School meals
- Sales invoices
- Refunds
- Uniform
- Breakfast club
- After school club
- Amounts due for damage or loss
- Payroll overpayments

(This is not an exhaustive list – there are many more examples of where money could be owed to the
Trust which are not listed)

3. Introduction

The Trust will take all reasonable steps to 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.

The Trust's debt recovery policy will observe the relevant financial regulations and guidance set out in the Academy Trust Handbook and any other legal requirements.

Wherever possible, payment for goods and services supplied by the Trust should be collected in advance or "at the point of sale".

4. Roles and Responsibilities

The Trustee board has delegated authority around the roles and responsibility levels within the Trust as follows:

- Any individual debt write-offs below £100 can be authorised by the Business Manager.
- Any individual debt write-offs over £100 but below £1,000 can be authorised by the Headteacher, CFO or CEO.
- Any individual debt write-offs exceeding £1,000 must be authorised by the Trust Board.
- For any individual debt write-offs exceeding the lower of 1% of annual income (maximum £250,000) or £45,000 prior approval must be sought from the ESFA.
- A formal record of debts written off will be maintained by the Trust Accountant and retained for 6 years.
- The procedures to secure the collection of all debts are outlined in section 7 and should be followed by all Trust staff.

Whilst other members of staff can recommend debts are written off, it is the CEO, Trustees or ESFA that will determine the appropriate course of action.

Headteachers have primary responsibility for debts owed by students and families. This responsibility may be delegated to other members of the school team as appropriate.

For Trips:

- The trip leader (senior schools) and School Office (primary schools) are nominally charged with contacting parents/guardians in the first instance regarding an overdue payment.
- The Business Manager, is informed, in advance by the Admin/Finance Office when a debt has become ‘overdue’
- Where required the Head of Year (secondary schools) or a Senior SLT member (primary schools) may be engaged if a parent/guardian relationship is stronger at this level.

On occasion, and only after consultation with the trip leader and Headteacher, the Finance office will seek to recover the debt directly.

For catering:

- Student balances are followed up by the Admin/Finance Assistant and Heads of Year (secondary) or Office Manager (primary) each week who are responsible for the “First Line of Defence”, a verbal discussion with the student/parent/guardian as required.

Lettings debts: See below

5. Acceptable ‘Credit period’

The Trust understands that the acceptable credit period may vary between different income generating activities.

5.1 Invoices

Payment for all goods and services supplied by the Trust should be collected in advance or at least within 30 days upon receipt of the invoice.

5.2 Lettings Invoices

Lettings invoices should be paid in advance of the agreed let where possible or at least within 30 days upon receipt of the invoice.

5.3 Breakfast and After school clubs or additional sessions

It is best practice that payment should be made via Arbor/ParentPay or through childcare vouchers in advance of each session, although we appreciate this is not possible in emergency situations.

Should the parent/carer fall into debt and fail to pay any balances after a reminder letter is sent, a letter will be sent advising that the pupil cannot attend the clubs/sessions until the debts are cleared.

5.4 School lunches

It is mandatory to have a balance of £0 or above on the parent account. It is best practice to maintain a balance of £10 and schools will be expected to work towards a balance of £10 in the future.

If a parents account is in debt over £10, this will be chased as per section 7.

When a pupil has a school lunch this is recorded on Arbor/ParentPay and deducts from the balance. Failure to pay any balances after a reminder letter is sent will mean a further letter is sent advising that the pupil needs to bring a packed lunch to school until the debts are cleared.

5.5 Educational/residential visits

The payment arrangements for each visit will be communicated to parents/carers via letter.

5.6 Pre-school additional sessions

Payment should be made where possible in advance of the additional session. Should the parent/carer fall into debt and fail to pay the balance due after a reminder letter is sent, they will be advised that the pupil will not be able to attend any further additional sessions until the debt is cleared.

6. Reporting of Outstanding Debt Levels

The CFO will ensure that the level of outstanding debt is regularly monitored. Suitable records will be maintained to detail individual debts and the total value of debt to the Trust in order for it to be reported to the FAR Committee as required. If the CFO feels a debt is at risk of recovery a provision will be made in the statutory accounts for the full value until it can be ascertained that the debt is no longer at risk. Any debts owed to the Trust longer than 90 days will automatically be provided against in the accounts.

7. Debt Recovery Procedures

7.1 Overdue Arbor/ParentPay Balances

Where a negative balance over £10 is held on an Arbor/ParentPay account, as stated in section 5, the following process should be applied.

- First ‘overdue payment’ reminder email - An initial reminder email will be sent by the School Administrator via Arbor/ParentPay requesting that the overdue balance is settled immediately.

- Second ‘overdue payment’ reminder letter – Where no payment has been received within 7 days of sending the first email another reminder email will be sent by the School Administrator via Arbor/ParentPay requesting that the overdue balance is settled within 7 days. (Appendix 1)
- Third and final ‘overdue payment reminder letter – Where no payment has been received within 7 days of sending the second letter a third and final letter prior to legal action if the debt is over £50, will be sent by the Headteacher/Business Manager requesting that the overdue balance is settled immediately. (Appendix 2)
- Referral to solicitors or debt collection agency – where no payment is received within 7 days of the third and final letter, the Trust CFO will subsequently review the matter and refer to solicitors or debt collection agency, where appropriate.
- Where a reminder letter/email is sent a copy should be retained on file.

7.2 Overdue Invoices (lettings, rent, training invoices, sales invoices etc)

Where payment is not received within the acceptable credit period, as stated in section 5, the following process should be applied.

- First ‘overdue payment’ reminder letter – an initial reminder letter will be sent by the Finance/Admin Assistant (Trust/School) requesting that the overdue balance is settled within 7 days. See template in Appendix A.
- Second ‘overdue payment’ reminder letter – where no payment has been received within 14 days of sending the first letter, another reminder letter/email will be sent by the Finance/Admin Assistant requesting that the overdue balance is settled within 14 days. See template in Appendix B.
- Third and final ‘overdue payment’ reminder letter – where no payment has been received within 14 days of sending the second letter, a third and final letter prior to legal action will be sent by the Trust CFO, requesting that the overdue balance is settled immediately. See template in Appendix C.
- Referral to solicitor – where no payment is received within 7 days of the third and final letter, the CFO will subsequently review the matter and refer to solicitors where appropriate.

Where a reminder letter is sent, a copy should be retained on file.

8. 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. However, if people are unable to pay; The Trust 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.

- Hardship - where paying the debt would cause considerable financial hardship.
- Ill health - where our recovery action might cause or exacerbate 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.
- Cost - where the value of the debt is significant but is less than the cost of recovering it.
- Multiple debts - where someone owes more than one debt to the Trust. In this situation an attempt to agree one repayment plan to include all debts will be established. If a debtor requests for ‘repayment terms’ these may be negotiated at the discretion of the CFO, who

will consult with staff who have knowledge of a particular situation, in order to achieve an optimum and equitable resolution. A record of all such agreements entered into will be retained. In all cases, a letter will be issued to the debtor confirming the agreed terms for repayment, using the sample letter in Appendix 4. The settlement period should be the shortest that is judged reasonable. The CFO will decide whether any debtor who has been granted extended settlement terms will not be offered any further ‘credit’ and will, in future, be required to pay in advance. This decision and its basis will be recorded and reported to the Finance Committee as required.

9. Record Keeping

The Administrators in each school and Finance Assistant in the Trust are responsible for timely reporting of outstanding debtors in their respective schools/Trust. This involves ensuring Arbor/ParentPay debts are up to date and that the Finance team are aware of the potential for ‘overdue’ debtors.

10. Bad Debts

Where all reasonable debt recovery procedures have been followed the Trust may decide to formally write-off the debt in accordance with the delegated authorities noted in section 4.

11. Monitoring Arrangements

A clear audit trail and written record should be retained for all debt recovery attempts. The CFO is responsible for the implementation of this policy. This policy will be reviewed by the Finance Committee every three years.

Appendix 1 – Parental debt letter one (on school letterhead)
Use this letter for parents who are in debt who don't make payments within 7 days after an initial reminder has been sent through Arbor/ParentPaypay.

[Address]
[Date]
Dear xxx
Re: xxx

Dear [name of parent],

], 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 previously agreed

You can pay the debt in full using [insert payment method details here]. Alternatively, we can set up a weekly/monthly payment plan to pay the debt off in installments of [insert amount per week or month]. To do this, please contact the school office.

[If the debt results in any sanctions, such as pupils having to be given packed lunches until meal costs are settled or being unable to attend a school trip, insert details of this here.]

If by [insert deadline] you haven't either paid off the debt or contacted us to set up a payment plan, we will invite you to a meeting to explore options to help you pay the amount above. If you don't attend or if we don't reach a satisfactory result together, we may 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 and contact details]
School Office Support Manager or School Business Manager
(Academy details)

Appendix 2 Use this letter to confirm a repayment schedule that has been agreed following a meeting with the Headteacher or School Business Manager (on school letterhead)

(name)
[Address]
[Date]

Dear xxx
Re: xxx

Following our conversation on DATE regarding the outstanding debt for Breakfast/After School Club/School lunch payments, please find below repayment schedule in order to clear your account.

Balance outstanding £ xxx
Repayment week/month commencing XXXXXXXXX
Repayment week/month commencing XXXXXXXXX
Repayment week/month commencing XXXXXXXXX
Repayment week/month commencing XXXXXXXXX
Repayment week/month commencing XXXXXXXXX
Repayment week/month commencing XXXXXXXXX

Can you please sign and return one copy of this letter showing agreement to the proposed repayment schedule.

As agreed, until the outstanding debt is cleared, your child will not be able to attend breakfast club or After School club or be able to order a school lunch. If this causes a problem for you, please contact me at [head's email address] If you need to discuss this matter further, please do not hesitate to contact the school office. Thank you for your co-operation.

Yours sincerely,

[Name]
Headteacher or Business Manager (delete as appropriate)
(Academy details)

Appendix 3 – Final parental debt letter for non-payment of debt

Use this letter after no payment has been received within 7 days following the email and letters have been sent regarding the outstanding account.

[Insert date]

Dear [name of parent],

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 continue to offer support where practical. If you would like to hear more about the support available or meet again to discuss options, I would be more than happy to do so. You can contact the school at [insert contact details].

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]
(Position)
(Academy details)

Letters for use to follow up Sales ledger debts – eg lettings income, rent, training agreements, sales invoices etc

Appendix 4 – First 'overdue payment' letter template for use with invoiced debt eg lettings (on school letterhead)

[Date]
[Debtors Name]
[Debtor Address]

Dear [Name]

This is a reminder that there is an overdue balance of £[insert balance] on your account. This comprises: [Insert invoice numbers and amounts] You have exceeded our normal credit terms of 30 days and payment within the next 14 days is requested. If you wish to speak to somebody about the overdue balance please contact the Finance Assistant on xxxxxxxx or email xxxxx

Yours sincerely

(Insert name]
(Position)
(Academy details)

Appendix 5 – Second 'overdue payment' letter template for use with invoiced debt (on school letterhead)

[Date]
[Debtors Name]
[Debtor Address]

Dear [Name]

Despite previous correspondence there remains an overdue balance on your account of £[insert balance] on your account. This comprises: [Insert invoice numbers and amounts] If we do not receive payment within the next 14 days we shall have no alternative but to take further steps to recover the amount owing to us. If you wish to speak to somebody about the overdue balance please contact the Finance Assistant on xxxx or email xxxxxxx

Yours sincerely

[Insert name]
(Position)
(Academy details)

Appendix 6 – Third and final 'overdue payment' letter template with invoiced debt (on school letterhead)

[Date]
[Debtors Name]
[Debtor Address]

Dear [Name]

We have contacted you on a number of occasions regarding the following outstanding invoices: [Insert invoice numbers and amounts] Three Spires Trust will take all steps necessary to recover amounts owing to the organisation. Unless we receive payment within 7 days we shall instruct debt recovery agents/solicitors to recover the debt. If you wish to speak to somebody about the overdue balance please contact the Finance Assistant on xxxx or email xxxxx

Yours sincerely

[Name]
CFO Three Spires Trust