



# Wigston Academies Trust

## DEBT RECOVERY POLICY

<b>DATE APPROVED:</b>	08.12.2020
<b>APPROVED BY:</b>	Board of Trustees
<b>REVIEW FREQUENCY:</b>	Every 3 years
<b>DATE FOR REVIEW:</b>	December 2023

Signed by Chair of Trustees:

Date: 8<sup>th</sup> December 2020

## Principle

As per the requirements of the Education Funding Agency's Academy Financial Handbook, Wigston Academies Trust should only consider writing off losses (within allowed limits) after careful appraisal of the facts (including whether all reasonable action has been taken to effect recovery) and should be satisfied that there is no feasible alternative. Beyond the limits set out therein, the AT must seek and obtain explicit and prior approval of the Secretary of State (through the EFA) to the transaction.

Wigston Academies Trust will take all reasonable measures to collect debts as part of its management of public funds. All debts to agreed delegated threshold will be written off via a committee of Trustees. Any requests for write off above this will be shared with the Trust Board. Any debt would only be written off after all reasonable measures (commensurate with the size and nature of the debt) have been taken to recover it.

## Practice and Provision – Academy

### 1. Debt Recovery

- The relevant financial regulations and guidance set out in the Academies Financial Handbook and any other legal requirements will be adhered to.
- A formal record of any debts written off will be maintained and this will be retained for 7 years (the form of this record is specified below).
- Wigston Academies Trust where it feels appropriate will initiate legal action to recover debts.
- The Executive Headteacher may write-off or reduce any debt belonging to Wigston Academies Trust which does not exceed £250 (within specific circumstances). Amounts above this must be referred to the Trustee's Finance, Audit and Risk Committee.
- In general payment for all goods and services, including lettings supplied by Wigston Academies Trust should be paid in advance or by invoice which will be raised at the point of supply.
- Invoices will clearly state by which date payment is due.
- Correspondence with parents e.g. academy trips should clearly state when the final payment is due. Trip leaders should ensure all payments are received prior to a trip and confirmation that parents agree to pay voluntary contribution (when applicable) is obtained.
- Trip leaders will ensure that details of trip payments and any instalment dates will be shared with the Finance team at the earliest opportunity so that recording arrangements can be set up for the trip including opening the payment option online where online payment portal in operation.

### 2. Invoicing and payment periods

All invoices are expected to be paid in full within 30 days of being issued.

Trip/activity organisers should ensure all contributions or payments are made prior to activity/trip taking place.

The Trustees may consider that an 'acceptable' recovery period may vary between different income generating activities; for example;

☑ Lettings

☑ Supply of Services (e.g. childcare places at Tiger Tots)

☑ Tuition Fees (if organised by Wigston Academies Trust– e.g. music)

☑ Trips and activities. (e.g. where instalments prior to trip maybe possible depending on cost)

Debt recovery procedures will be applied on all overdue payments.

### **3. Reporting of outstanding debt levels**

The Sports Manager and Director of Finance and Operations in Wigston Academies Trust will ensure that the level of outstanding debt is monitored monthly.

Suitable records will be maintained to detail individual debts and the total value of debt to the Wigston Academies Trust in order that it can be determined at any time and reported to SLT and/or the appropriate LGB Committee.

The Trustee Finance, Audit and Risk Committee will review the level of outstanding debts (individually above £250) every term to determine whether this level is acceptable and whether action to recover debts is effective.

### **4. Debt Recovery Procedures**

**Details of all reminders, whether verbal or in writing, should be maintained. Where a letter is issued, a copy must be retained on file.**

It is important that at least two reminders are sent/ made and recorded.

#### ***a First 'overdue payment' reminder***

An initial reminder may be made if circumstances suit and can be made either in person by telephone, text messaging service or email. The date of the initial reminder should be recorded. Where invoices have been raised this first stage will involve issuing a copy invoice with a reminder message. This can be given in person, emailed or posted.

#### ***b Second First 'overdue payment' reminder letter***

A formal reminder letter should be issued 14 days after the informal reminder. This letter should be given in person or sent via Royal Mail 1<sup>st</sup> Class

#### ***c Second 'overdue payment' reminder letter***

A second reminder letter will be issued 14 days after the first reminder letter stating that payment must be made within 7 days in order to conclude the matter to avoid commencing the legal debt recovery policy. This letter should be sent by Royal Mail. A copy of the letter and its date of issue should be held on file.

**d.** If there is no response to the second overdue payment letter, a final letter will be issued inviting the debtor to discuss with the Director of Finance and Operations in order to discuss how they intend to pay the debt. Wigston Academies Trust will make every effort to work with the debtors to

prevent debts mounting. The debtor may be advised that they will be required to pay in advance for all future supplies or services and/or that the supply will no longer be made available to them until the debt is paid in full. If mutual agreement cannot be reached or any agreed payment is missed, then legal action will may be considered to recover the debt. The outcome and its basis will be recorded and reported to Trustees Finance, Audit and Risk Committee.

Prior to this letter being sent the Director of Finance and Operations/Executive Headteacher will also decide whether the debtor should be referred to our solicitors for legal action and if so this will also be detailed in the second letter. The letter should be signed by the Executive Headteacher and sent via recorded delivery with docket retained

If no payment has been made by the debtor at this point and no contact made by the debtor to discuss repayment, then the Finance team/Sports Manager must try and make telephone contact within five working days to enquire about any issues as to why payment is still outstanding and if necessary to offer a repayment plan to the debtor. A second reminder letter will be issued in follow up to this call/contact and will include details of any repayment plan agreed if contact was able to be made or if not date at which the service will be withdrawn (if applicable) or that they will be required to pay in advance for all future supplies or other services may not be available to them until this debt is cleared.

Failure to respond to this letter will result in legal action to recover the debt.

Where a debtor has reached this stage twice within a 12 month rolling time frame, Wigston Academies Trust reserves the right to remove the service/childcare place with one weeks' notice.

## **5. Failure to settle a debt**

In accordance with the academy's financial regulations and procedures document, the Executive Headteacher has the authority to write-off bad debts up to a value of £50. Debts of £50 and over up to the value of £500 will be referred to the Finance, Audit and Risk Committee. Debts over the value of £500 will be referred to the Trustees Finance, Audit and Risk Committee.

## **6. 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;***

Wigston Academies Trust may reduce or cancel a debt in certain circumstances. A sensitive approach to debt recovery will be carried out, taking factors such as the following into account:

☐ Hardship

☐ Ill health/disability

☐ Cost of recovery

☐ Multiple debt – where someone owes more than one debt to Wigston Academies 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 Director of Finance and Operations or Executive Headteacher subject to the £250. 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 (as part of the 2<sup>nd</sup> overdue reminder letter, or in response to an overdue reminder letter).

The settlement period should be the shortest that is judged reasonable.

The Director of Finance and Operations and Executive Headteacher will decide whether any debtor who has been granted extended settlement terms will in future be required to pay in advance.

This decision and its basis will be recorded and reported to the R&E Committee.

## **7. Costs of debt recovery**

Where Wigston Academies Trust incurs material additional costs in recovering a debt then the Trustees Finance, Audit and Risk Committee will decide whether 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 Wigston Academies Trust in recovering the debt.

## **8 Extended services, Pre School and lettings invoicing arrangements**

The staff member in charge of the services will assist in the debt recovery procedures in 4 above, including talking to/contacting parents about outstanding amounts and liaising with the Finance team over debts. They will also assist by ensuring that all users of the service receive 2 copies of their service use agreements and that one signed copy is retained.

Where additional sessions have been taken during the normal service period, these will be added to the following service period invoice/online payments system.

The Finance Team/Pre-School Leader/Sports Manager are responsible for ensuring records of bookings of lettings are maintained and for identifying the sums due from each organisation. Payments must be made in advance for one-off lettings/ the use of facilities, whereas affiliated groups are charged per half term in advance for payment by end of the letting period invoiced

The Director of Finance and Operations will be responsible for ensuring the chasing outstanding debts is carried out as per the procedures outlined above. Access to facilities for certain affiliated groups may be removed as per the indemnity and conditions of hire where payment is late.

## **9 Solicitor/ legal action open to Wigston Academies Trust**

If Trustees agree, debts can be passed to County Solicitors service which is offered as part of the Wigston Academies Trust's subscription to LCC's Legal Service. This will result in a further letter directly from them asking for payment or if not resolved then County Solicitors apply to the county court for a county court judgement or CCJ against the aged debtors credit rating which remains on the debtor's credit rating for 6 years unless action to pay the debt and permission for the CCJ to be removed is made).

The final avenue County Solicitors then have, following Trustee approval, is to issue a Warrant of Execution to allow amounts to be recovered to the value of the debt which would also include costs. If Trustees do not wish to pursue they can write debt off within allowable limits.

## **10 Accounting for Bad Debts**

All Tiger Tots and lettings income and expenditure is ring-fenced within their own cost centres.

Depending on the level of bad debts identified in each year a decision will be made in consultation with our accountants as to whether we need to make formal provision for bad debts within our accounts.

### **Monitoring, Evaluation and Review**

This policy will be reviewed and approved in line with Wigston Academies Trust Financial Procedures Handbook (of which this policy is an appendix) by the Finance, Audit and Risk Committee of the Trust.

### **Equality Monitoring**

Wigston Academies Trust is committed to equality and diversity which means that this policy, via an Equality Impact Assessment, has been screened in relation to the use of gender-neutral language, recognition of the needs of disabled people, promotion of the positive duty in relation to race, age, disability and avoidance of stereotypes.

Based on the Equality Impact Assessment findings, this policy is judged to be of low impact against the equality strands of Race, Gender, Religion, Disability Sexual Orientation and Age. A copy of the Equality Impact Assessment of this policy is available from the PA to the Trust Executive Headteacher.

This Policy is available in alternative formats on request. If you think we can improve the fairness of this Policy, please contact the individual who has responsibility for its update.