HCAT
Debt Policy

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1	Original	May 2022
2	Revised and Reviewed	April 2025

HCAT Debt Policy

1. Introduction

The Trust will take all reasonable measures to actively 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 Debt Recovery policy will observe the relevant financial regulations and guidance set out in the current Academies Financial handbook. In particular:

- the Trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled.
- the Trust should only consider writing-off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative.
- the amounts for write-offs are before successful claims from an insurer or the risk protection arrangement.

The Trust must obtain ESFA's prior approval for write-offs beyond the delegated limits detailed in the ESFA Academies Financial Handbook (currently £1,500 for the approval of the finance committee and anything over £3,000 would need to be approved by the board of trustees).

A formal record of any debts written off must be maintained and this will be retained in line with the current retention of records policy, evidencing appropriate approval was obtained before write-off.

The Trust will not initiate legal action to recover debts but will refer any debts which it has not been able to collect (unless a decision to write-off the debt is demonstrably a reasonable course of action) to the Trust's legal services provider to consider taking legal or other action to recover the debt.

The HCAT scheme of delegation and financial procedure manual details the current levels of approval needed before debt can be written off by each academy.

The procedures to secure the collection of all debts are outlined within this policy and should be followed by all Trust staff.

2. Acceptable Credit Period

The Principal/ Head of School must determine the length of time they deem to be an acceptable 'credit settlement period' before the debt recovery procedures are applied.

An 'acceptable' credit period may vary between different income generating activities; acceptable examples are;

- Lettings - 30 days
- Meals - should be paid in advance if possible maximum acceptable - 1 weeks' worth of dinners
- Trips and activities; determined per trip based on payment plan
- Damages - 90 days, or agreed payment plan

Debt recovery procedures should be applied in accordance with section 4 of this policy.

3. Reporting of Outstanding Debt Levels

The Principal / Head of School will ensure that the level of outstanding debt is regularly monitored. The school admin team will produce regular debt reports and will communicate any concerns with the Principal / Head of School in a timely manner.

Each academy will maintain suitable records to detail individual debts and the total value of debt, in order that it can be determined at any time and reported to the Finance Committee. Access, the Trust's financial system should be used to produce all invoices issued to external parties.

The Business Manager will review the level of outstanding debts every month to determine whether this level is acceptable and whether action to recover debts is effective.

4. Debt recovery procedure

Where payment from an individual has not been received in advance, or 'at the point of sale', the following process should be applied.

Invoiced Income (e.g. lettings, sales, music tuition)

An invoice should be issued for the full amount in order to officially record the debt. When invoices are raised, they should clearly state the date by which payment is due.

Trips / Visits

For trips / visits, a payment plan should be given to the parent. An invoice should not be issued to parents for trips / visits, but payment against the agreed plan must be monitored to ensure parents are paying in line with the payment schedule. Should parents not keep up with payment plans, their child may lose their place on the trip.

Breakfast Club / After School Clubs

Breakfast club and after school clubs should be booked and paid for in advance on Arbor. If this process is not followed their child will be turned away and a parent/carer will be contacted to collect their child.

School Meals

School meals should be paid by parents in advance. Dinner money accounts should not be allowed to go into arrears by more than the cost of one week of school meals. If dinner money accounts go into arrears, action should be taken to contact parents via telephone and email to ascertain the reason why and chase payment of arrears.

- Parents who have high levels of debt from non-payment of school meals should:
- Be approached to discuss whether they are eligible for free school meals and be offered support to complete forms and paperwork to apply if needed.
- If not eligible for free school meals, a payment plan should be put in place to enable them to reduce debt in an agreed manner.
- If payment is still not made, warning should be given to the parent that school meals will not be provided to their child, and they will need to make alternative arrangements for their child. Meals will be unavailable until the debt is cleared, or payment plan agreed. The school office should ensure staff are informed if there are safeguarding concerns.

5. Verbal and written reminders

Details of all reminders, whether verbal or in writing, should be maintained. Where a letter is issued, a copy must be retained on file. Should a debt need to be taken beyond two reminder letters, formal written evidence may have to be produced. It is therefore important that at least one, but preferably two, written reminders are sent.

Initial 'overdue payment' reminder

Parent/carer/company will be contacted via telephone to advise them of the debt. This is followed up with an initial reminder as per the template in appendix one. The date of the initial reminder should be recorded. This should be sent electronically via arbor / access or posted.

First and second 'overdue payment' reminder letter

Parent/carer/company will be contacted via telephone. A formal reminder letter should be issued 2 weeks after the informal reminder above. The template for this can be found in appendix two. This same second reminder letter should be sent again two weeks later if payment has not been made. This should be sent electronically via arbor / access or posted. The date of both the first and second reminder and any follow up should be recorded.

Final reminder letter

Parent/carer/company will be contacted via telephone. A final reminder letter will be issued 2 weeks after the above letters. This can be found at appendix three.

The date of this letter should be recorded. This should be sent electronically via arbor / access or posted. If action is to proceed further, it is necessary to prove that all reasonable attempts have been made to recover the debt, and that these attempts have been made in a timely manner, i.e. at the time that the debt first became overdue.

If after 2 reminders and the final reminder, a response or payment is not received, a letter/email will be sent to the debtor advising them that the matter will be referred to the Trust's legal services provider for advice. At the discretion of the Finance / Business Manager, the debtor may be advised that they will be required to pay in advance for all future supplies or the supply will no longer be available to them.

6. Renegotiation of payment terms / payment plans

Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the first 'overdue payment' reminder (unless a payment plan was set out in the original invoice / trip letter)

However, if individuals are unable to pay, the Academy may restructure, 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 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.
- Cost – where the value of the debt is less than the cost of recovering it.
- Multiple debt – 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 revised repayment terms, these may be negotiated at the discretion of the Finance / Business Manager, in consultation with the Head of School. A record of all such agreements entered will be retained.

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

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

7. Costs of debt recovery

Where the Trust incurs material additional costs in recovering a debt, then the Principal / Head of School 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 Trust in recovering the debt.

8. Recovery of bad debts

This debt recovery policy should be cross-referenced to the Academies Financial Handbook and the Trust Financial Regulations to determine the delegated limits for approval.

A record of the write-off, the reason for it, and the approval for it, will be retained for 7 years. The form to record the approval is attached at appendix four.

Write offs should be summarised and reported over the upper limit to the Governing bodies and Trust Board.

APPENDIX 1 – FIRST REMINDER

Dear Mrs Debtor

OVERDUE ACCOUNT

We note that the (account – dinners, trips) are overdue for payment. We'd be grateful if you would make payment of the outstanding amounts at your earliest convenience, or telephone the school office if you wish to discuss this.

If you have recently made payment, please disregard this letter.

Yours sincerely

School Office

APPENDIX 2 – SECOND REMINDER

Dear Mrs Debtor

OVERDUE ACCOUNT – SECOND REMINDER

Despite previous requests for payment of the outstanding debt as detailed below, this account remains unsettled. We would remind you that the Academy reserves the right to suspend your account until full payment is made and respectfully ask you that you settle the outstanding debt in the next 7 days.

Should you wish to discuss this further, please contact the school office.

Yours sincerely

School Office

APPENDIX 3 – FINAL REMINDER

Dear Mrs Debtor

OVERDUE ACCOUNT – FINAL REMINDER

Despite previous requests for payment of the outstanding debt as detailed below, this account remains unsettled. We have suspended any further credit on your account.

If this amount is not settled within 7 working days from the date of this letter, we reserve the right to commence legal proceedings to recover the debt without further notice to you, and you will be responsible for any associated legal fees or collection costs, and interest.

Please be aware that court action may affect your future credit rating.

Yours sincerely

School Office

BAD DEBT WRITTEN OFF

Debtor Name	
Account No	
Academy	
Amount of Debt	
Nature of Debt (refer to invoice number) and reason why debt can not be recovered. Steps taken to recover.	
Bad debts must be reported to Governing Body	
Approved by principal / Head of School	
Date	
Approved by Finance Manager / Business Manager	
Date	
For bad debts over the lower limit (£500)	
Approved by CEO	
Date	