



DEBT RECOVERY POLICY

Policy Approval	
	December 2022
Approved by Trust Board:	Meeting Date: 14 th December 2022 Minute No: 10
Review Date:	September 2023

1. General Requirements

The Cavendish Learning Trust will take all reasonable steps to collect debts as part of the 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 financial regulations and guidance set out in the ESFAs Academy Trust Handbook. These are detailed below:

Write-offs and entering into liabilities

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The academy trust **must** obtain ESFA's prior approval for the following transactions beyond the delegated limits described below:

- *Writing-off debts and losses; and*
- *entering into guarantees, letters of comfort or indemnities.*

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The delegated limits, are:

- *% of total annual income or £45,000 (whichever is smaller) per single transaction*
- *Cumulatively, 2.5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have not submitted timely, unqualified accounts for the previous two financial years. This category includes new trusts that have not had the opportunity to produce two years of audited accounts.*
- *Cumulatively, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous two financial years.*

5.21

In relation to these limits:

- *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*
- *Total annual income is defined as grant income as disclosed in the trust's last audited accounts. ESFA should be contacted if the trust has not yet published their first audited accounts.*

5.22

Before accepting liabilities by issuing guarantees, a letter of comfort or indemnity, the trust should secure value for money by appraising the proposal through assessment of the costs and benefits of relevant options. Academy trusts seeking ESFA approval for an indemnity should confirm whether it is covered by insurance or Risk Protection Arrangement (RPA).

- *Cumulatively, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous two financial years.*

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The Trust will disclose in the audited accounts any debt or loss that is written off over the value of £5000.

2. Invoicing

In general, payment for all goods and services supplied by the Cavendish Learning Trust or its schools should be collected in advance or within 30 days upon receipt of an invoice.

3. Reporting Outstanding Debt Levels

The Finance Team within the Cavendish Learning Trust will ensure that the level of debt is regularly monitored. Suitable records will be maintained to detail the level of debt within individual schools and across the Trust.

4. Debt Recovery Procedures

When payment has not been received after the 30-day period, the following process should be applied:

- **Step 1: Initial Reminder** – a reminder is sent to the debtor in the form of a statement with a copy of the original invoice. This should be sent out within one week after the due date.
- **Step 2: Formal Reminder** – A formal letter will be sent to the debtor (appendix A). Copies of the letter will be kept on the debtors file.
- **Step 3: Letter from the Chief Finance Officer** – This letter will advise that should the Trust not hear from the debtor then the Trust will start debt recovery and this may result in legal action (appendix B).

- Step 4: Notice of Intention – If there is no response from the letter from the Chief Finance Officer a notice of intention will be sent by the Chief Executive Officer advising the debtor that the matter is being handed to legal advisors for further action.
- Step 5: Legal Action – If the debtor does not respond to any of the steps above, the Finance and Audit Committee will be informed and if deemed appropriate the matter will be dealt with in a small claims court.

5. Negotiation of Repayment Terms

Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving the initial reminder. However, if the debtor states that they are unable to pay, a sensitive approach will be taken in relation to the following reasons:

- Hardship – Where paying the debt would cause financial hardship.
- Ill Health – Where the recovery action might cause further ill health.
- Time – Where the debt is so large compared to an individual's income that it could not be recovered quickly.
- 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, this could be combined.

If a debtor requests 'repayment terms', this should be considered and negotiated. The terms agreed should then be put in writing and should be for the shortest period of time possible.

It will be at the discretion of the Chief Finance Officer if a debtor would be offered any further 'credit' in the future or whether payment in advance for any services would be required.

If for any reason the debtor does not continue with the repayment agreed, the Trust would restart the debt recovery procedures from the most appropriate step depending on previous communication with the debtor.

6. Cost of Debt Recovery

Where the Trust incurs additional material costs for recovering a debt, then the Chief Finance Officer will decide whether to recover additional costs from the debtor. If this is the case, the debtor will be informed in writing and this will be approved by the Trust's Finance and Audit Committee.

5. Writing Off Debts

The Trust must also consider if a debt is to be written off. The decision must be based on the value of the outstanding debt and other background information given by the Trust and the debtor. Authority to write off a debt is as follows:

- | | |
|--------------------------------|------------|
| • Chief Finance Officer: | Up to £250 |
| • Accounting Officer: | Up to £500 |
| • Finance and Audit Committee: | Over £500 |

The Trust must ensure that all ESFA guidelines are followed in relation to writing off debt as described in the policy.

Appendix A – Formal Reminder Letter

DATE

Dear INSERT NAME,

I am writing to remind you that according to our records you have not made payment in relation to the debt on the following INSERT WHY DEBT EXISTS.

Your debt currently stands at £0.00.

Whilst we appreciate that these have been difficult financial times, please kindly ensure that your debt is cleared by INSERT DATE.

If you have any queries in regarding the debt, or if you have difficulty making payment, please contact the Cavendish Learning Trust's Finance Team.

Yours sincerely,

Business Officer

Appendix B – Letter from Chief Finance Officer

DATE

Dear **INSERT NAME**,

It has been brought to my attention that despite numerous reminders a debt still exists on the following **INSERT WHY DEBT EXISTS**.

Your debt currently stands at **£0.00**.

Whilst we appreciate that these have been difficult financial times, please kindly ensure that your debt is cleared by **INSERT DATE**.

If you have any queries in regarding the debt, or if you have difficulty making payment, please contact me to discuss this.

If the debt is not paid by the date above and you have not made contact to discuss this, the Trust will take legal advice in order to determine how the debt can be recovered.

Yours sincerely,

Chief Finance Officer