



Debt Recovery Policy

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Statement of Intent

In accordance with the funding agreement and Academy Trust Handbook (ATH), Keystone Academy Trust is required to apply robust financial controls that conform to the requirements of both propriety and good financial management.

To this end, the Trustees are responsible for ensuring that procedures are in place for the recovery of any outstanding debt. This policy sets out the procedure for debt recovery within the trust and for the write-off of any debt that is deemed to be irrecoverable.

This policy applies to external companies and organisations as well as parents and carers.

Keystone Academy Trust is committed to ensuring equal opportunities for all pupils, regardless of financial circumstances, and has established policies and procedures to ensure that no child is discriminated against by our offering of school trips, activities and educational extras.

While this is the case, the trust must have a policy in place to ensure the repayment and recuperation of any outstanding debts incurred by the trust on behalf of a pupil. The school will take all reasonable measures to vigorously 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.

Each case is to be treated individually and the circumstances that have led to the outstanding debt will be considered to determine the best course of action and whether it is fair and reasonable to pursue the debt in its entirety if at all. The trust is committed to adhering to legal requirements regarding charging for school food, activities and materials, and meeting all statutory guidance provided by the DfE.

Equality and Fair Treatment

The trust will ensure that its debt recovery processes are applied fairly, consistently and without discrimination, in accordance with the Equality Act 2010.

When pursuing outstanding debts, due consideration will be given to the individual circumstances of the debtor, including any factors relating to vulnerability or protected characteristics (such as disability, pregnancy, or financial hardship).

The trust will take reasonable steps to ensure that debt recovery actions do not disproportionately disadvantage any individual or group.

In particular, the trust will:

- Ensure that no pupil is treated less favourably or excluded from educational provision due to their family's inability to pay
- Provide opportunities for families to discuss financial difficulties and agree appropriate repayment arrangements

- Apply discretion and proportionality when deciding whether to escalate or suspend recovery action

All decisions will be made in line with the trust's commitment to equality, inclusion and safeguarding.

Legal Framework

This policy has due regard to all relevant legislation and statutory guidance including, but not limited to, the following:

- DfE (2018) 'Charging for school activities'
- DfE (2023) 'Schemes for financing schools'
- DfE Academy Trust Handbook

Roles and Responsibilities

The Board of Trustees is responsible for:

- Reviewing this policy every two years.
- Regularly reviewing details of its debts and what recovery action is needed.
- Consultations if legal services are required for debt recovery.
- Adhering to the privacy rights of pupils and their guardians in all cases.
- Deciding to leave a case of debt recovery to the decision of the headteacher where it involves pupils at their school.
- The trust will also obtain prior approval from the ESFA where it wishes to write-off debts and losses where delegated limits apply.

The Chief Financial Officer is responsible for:

- The overall implementation of this policy in respect of all third-party organisations and individuals.
- Supporting the headteacher where the debt involves pupils and parents/carers.
- Recording debt reminders and ensuring those records are maintained for a period of seven years – this includes dates and times of letters, phone calls, emails, conversations or any other correspondence.
- Ensuring the level of outstanding debt owed to the trust can be determined at short notice.
- Notifying the ESFA of any debt written off that exceeds the delegated limits as per the Academy Trust Handbook.

The headteacher is responsible for:

- The overall implementation of this policy and ensuring that all staff, parents and pupils are aware of their responsibilities.
- Recording debt reminders and ensuring those records are maintained for a period of seven years – this includes dates and times of letters, phone calls, emails, conversations or any other correspondence.

- Ensuring instances of debt are judged on an individual basis, with consideration of the nature of the debt and the circumstances of the family involved.
- Ensuring the privacy of the pupil and their family will be protected by all staff.
- Ensuring the level of outstanding debt owed to the school can be determined at short notice.

Data Protection and Confidentiality

The trust will ensure that all debt recovery activities are conducted in accordance with UK data protection legislation, including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018.

Personal data relating to debtors (including parents, carers, and third-party organisations) will be:

- Processed lawfully, fairly and transparently
- Collected only for specified and legitimate purposes, namely the administration and recovery of debts owed to the trust
- Limited to information that is necessary and relevant to the debt recovery process
- Kept accurate and up to date
- Retained securely and only for as long as necessary in line with the trust's data retention policy

The lawful basis for processing personal data in relation to debt recovery is the trust's legal obligation to safeguard public funds and its legitimate interests in ensuring effective financial management.

Where necessary, personal data may be shared with third parties (e.g. legal advisors or debt recovery agents) for the purpose of recovering debts, provided that appropriate data sharing agreements and safeguards are in place.

All staff involved in debt recovery processes will ensure that confidentiality is maintained at all times and that sensitive information is not disclosed inappropriately.

Acceptable Credit Period

Where possible income should be collected before or at the time the relevant product/service is provided. If this is not feasible, the Board of Trustees should agree upon a 'credit period' within which the debtor can pay the outstanding sum before debt recovery procedures are exercised. This period of time may vary, at the discretion of the Board of Trustees, dependent on the nature and size of the debt. The standard period of time is determined to be 30 days.

Declaring Outstanding Debt Levels

The CFO and Finance, Audit and Risk Committee will review the level of outstanding debts at least annually to determine whether current debt levels are acceptable and whether current methods and procedures to recover debts are effective. Trustees should be informed at their next meeting of when this policy is being actively implemented on an individual debt.

Any individual cases of debt that are deemed to require intervention will then be pursued by the debt recovery procedures within this policy.

Debt Recovery Procedures

Where there is an outstanding payment yet to be received and an acceptable credit period has surpassed, an official invoice will be created outlining the value and reason for the debt, as well as the debtor's identity.

Upon creating the invoice and stipulating a date on which it must be paid by, there will be a record set up by the school that the debt has been set up to track the process.

In respect of parental/carers debt consideration must be given to not increasing the level of debt owed, for example, the provision of nursery/wraparound places may be withdrawn until the existing debt is repaid.

In respect of lettings, all future lettings relating to that customer must be cancelled until payment is received in full.

The VAT element of any debt must not be written off without consulting with the CFO in case this contravenes HMRC statutory rules.

Parents of pupils will not be charged interest on the debt.

Verbal and Written Overdue Payment Reminders

Overdue payment reminders are outlined below:

- **Initial verbal reminder** – informal in-person, telephone or email correspondence notifying the individual of the debt. The date and time of the contact should be documented. (Day 30 after the debt fell due).
- **First formal written reminder** – an official, dated letter addressed to the debtor which will be written up shortly (ideally 14 days) after the first informal reminder and will acknowledge that it took place. See appendix A. (Day 44 after the debt fell due).
- **Second formal written reminder** – this will arrive shortly (ideally 14 days) after the first reminder, citing the details of both previous reminders and stating that concerted efforts have been made to make the person aware that an outstanding debt is overdue. See appendix B. (Day 58 after the debt fell due).

Failure to Respond

If overdue payment reminders are not responded to, a third letter will be sent to the debtor (ideally 14 days later) advising them that the case has been referred to the CFO for next steps in recovery which may include referral for legal action such as the small claims court. See appendix C. If appropriate the CFO will consult with the CEO and Trustees re following a legal path to debt recovery.

It is then for these parties to agree on a timeframe for a repayment or, if necessary, a payment plan for separate instalments.

The trust expects that the debt should be repaid as soon as possible, particularly after repeated reminders; however, this can be negotiated at the discretion of the CFO and/or Trustees.

In respect of parental/carers debt consideration must be given to not increasing the level of debt owed, for example, the provision of nursery/wraparound places may be withdrawn until the existing debt is repaid.

In respect of lettings, all future lettings relating to that customer must be cancelled until payment is received in full.

If there is a case where the debtor is deemed to be refusing to pay without sufficient reason, the trust will consider legal action to recover the debt.

Negotiation of Debt Payment

It is expected that the debt will be repaid as soon as possible, particularly after repeated reminders; however, this will be negotiated at the discretion of the Board of Trustees, particularly if the circumstances in exception circumstances of this policy apply.

If there is a case where the debtor is deemed to be refusing to pay without sufficient reason, the trust will consider legal recourse to resolve the issue and recuperate owed funds.

Exceptional Circumstances and Remissions

Support for Families Experiencing Financial Difficulty

The trust recognises that, in some cases, families or organisations may experience temporary financial hardship. Individuals experiencing financial difficulty are encouraged to contact the school or trust finance team at the earliest opportunity to discuss their circumstances.

Where appropriate, the trust may:

- Agree a reasonable repayment plan
- Signpost to relevant support (e.g. benefits, remissions policies)
- Consider reduced or deferred payment arrangements

Any such arrangements will be considered on a case-by-case basis, taking into account the trust's duty to protect public funds.

The school will ensure that parents of pupils are aware of the help the school can extend to those in financial difficulty. Parents who may be eligible for remissions are those in receipt of certain means-tested benefits. For the purposes of this policy, these include (but are not limited to):

- Income Support
- Income-based Jobseeker's Allowance

- Income-related Employment and Support Allowance
- Support under part VI of the Immigration and Asylum Act 1999
- The guaranteed element of State Pension Credit
- Child Tax Credit, provided that they are not also entitled to Working Tax Credit and have an annual gross income below the threshold set by HMRC.
- Working Tax Credit run-on – paid for four weeks after a person stops qualifying for Working Tax Credit
- Universal Credit – where household income meets the relevant eligibility criteria.

In these circumstances, where possible, an affordable payment plan should be put in place. In rare cases the Board of Trustees may decide to waive or reduce the outstanding debt in cases of extreme hardship.

Debt Recovery Costs

In addition to the remission allowances outlined above in the [Exceptional circumstances and remissions](#) section of this policy, it may be advisable to waive or partially waive debts where it is deemed that it does not make financial sense to continue allocating time and resources to pursuing.

If, after every effort is made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures:

- The CFO concludes that it is not good use of time and tax-payer funds to further pursue the debt.
- The CEO agrees with the CFO's conclusion.
- The write-off is approved by the next Finance, Audit and Risk Committee meeting and then reported at the next Full Trustees Meeting.
- The trust will retain a Bad Debt Write-Off Summary.

The Board of Trustees will review any case a debt may be waived and come to a final decision based on the value of costs versus value of the debt. Only the Board of Trustees can give the express approval to write-off a debt.

The trust will also obtain prior approval from the ESFA where it wishes to write-off debts and losses where the following delegated limits apply:

- 1 percent of total annual income or £45,000 (whichever is smaller) per single transaction
- *For trusts that have not submitted timely, unqualified accounts for the previous two financial years - Cumulatively, 2.5 percent 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 - Cumulatively, 5 percent of total annual income in any financial year per category*

Accounting Treatment of Bad Debts

The trust will account for bad and doubtful debts in accordance with applicable accounting standards, including the Academies Accounts Direction and FRS 102.

Outstanding debts will be reviewed regularly to assess recoverability. Where there is uncertainty over the collection of a debt, the trust will consider whether a provision for doubtful debt should be recognised in the financial statements.

Where a debt is deemed irrecoverable and all reasonable recovery actions have been exhausted, it may be formally written off in accordance with this policy and the trust's scheme of delegation.

The following principles will apply:

- Provisions will be made where there is a reasonable expectation that a debt may not be fully recoverable
- Write-offs will only occur where recovery is considered no longer viable and appropriate approvals have been obtained
- All write-offs will be recorded in the trust's financial systems and reported to the Board of Trustees in accordance with ESFA requirements

The trust will ensure that appropriate audit trails are maintained for all provisions and write-offs, including evidence of recovery actions taken and the rationale for the accounting treatment applied.

Monitoring and Review

This policy will be reviewed every two years by the CFO and the finance committee.

APPENDIX A – FIRST DEBTOR’S LETTER

[Date]

Debtor Name

Debtor Address

Dear [Name]

Debtor’s Account Number [Insert number]

Following on from our verbal/email reminder, there is still an overdue balance of £[x] 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 are experiencing financial difficulties, then please do contact us. We will consider all reasonable requests for repayment arrangements in line with our Debt Recovery Policy. If you wish to talk to the Finance Office to arrange payment of the overdue balance, then please call 01778 610324 during school hours.

[Please note that if payment is not received your lettings/child’s place will be withdrawn to avoid further debt accruing.]

Yours sincerely

[Name]

[Headteacher/CFO]

APPENDIX B – SECOND DEBTORS LETTER

[Date]

Debtors Name

Debtors Address

Dear [Name]

Debtors Account Number [Insert number]

Despite previous correspondence there remains an overdue balance on your account of £[x]. This comprises:

[Insert invoice numbers and amounts]

If you are experiencing financial difficulties, then please do contact us. We will consider all reasonable requests for repayment arrangements in line with our Debt Recovery Policy. If you wish to talk to the Finance Office to arrange payment of the overdue balance, then please call 01778 610324 during school hours.

If we do not receive payment within the next 14 days, we shall have no alternative but to take the necessary steps to recover the amount owing to us, this may include legal action

[Please note your lettings/child's place will be withdrawn with immediate effect until the payment is made.]

Yours sincerely

[Name]

[Headteacher/CFO]

APPENDIX C - THIRD DEBTORS LETTER

Name

Address

Postcode

Re: Outstanding Invoice No.

Dear

As you are aware from our previous communications, the amount of £XXXXXXXX is still owed by you and to date we have not received full payment. If you are experiencing financial difficulties, then please do contact us.

Under Department for Education (DfE) guidance and the Academy Trust Handbook, the trust is required to apply robust financial controls and take all reasonable steps to recover outstanding debts. While debts may be written off in certain circumstances, this can only occur following appropriate internal approval and, where relevant, approval from the DfE in line with delegated limits. At a trust level we cannot afford to ignore such debts due to the impact on our budget and therefore our ability to deliver education to our pupils.

Therefore, we must advise you that unless this account is settled in full by (dated one week after the date of the letter), we will refer the matter to our legal advisors and look to take legal action to recover the debt. This will be our final warning.

[Please note your lettings/child's place will remain withdrawn with immediate effect until the payment is made.]

Please can you contact the Finance Office immediately to arrange payment of the overdue balance on 01778 610324 during school hours. We will consider all reasonable requests for repayment arrangements in line with our Debt Recovery Policy.

Yours sincerely

Chief Financial Officer