School debt recovery procedure

Service area – Finance and Resources

12 January 2024



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# Purpose and background

**1.1 Purpose**

The purpose of this procedure is to set out in, clear and transparent terms, Liverpool City Council’s **approach to collection and recovery of school debts**

This procedure is intended to help ensure that:

a) Maintained schools understand what action(s) may be taken to recover debts owed to the authority.

b) Maintained schools can have confidence that the Council is committed to recover the money owed and that wilful non-payment will not be tolerated.

c) The authority ensures that an integrated and consistent approach to debt including the core principles of the approach as set out in the corporate debt management policy

**1.2 Background**

The City Council provides numerous services to Liverpool schools, both maintained and academies, on a traded basis; in addition for maintained schools invoices are raised annually for any cash which may be owed by the school when the final outturn position is determined at financial year end. Whilst the significant majority of schools pay these invoices on a timely basis some do not.

Currently schools owes millions of pounds to the City Council whilst the majority of this relates to maintained schools, some also relates to academies. This procedure states the measures put in place to recover the unpaid debts for maintained schools only. One of these measures is through a school debt panel.

The Liverpool’s Scheme for Financing Schools permits a disputes panel to be established to consider any unpaid debts and if it is agreed by the panel that the debt is valid and the school is liable for payment then this can be charged directly to the school’s budget.

Section 6.3 Circumstances in which Charges May Be Made states the following:

*Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the school to the Authority.*

The Council has established this procedure since 2021 and has outline the debt recovery process, the role of the school debt panel and other measures to be actively adopted across the Council’s debt collection functions.

# 2 Scope

This procedure applies to the collection of:

* Sundry Debt (Council Services) This category includes a wide range of different charges and debts raised by individual functions
* Out-turn settlements – cash advances to school and/ or payroll costs
* Premises related charges – Private finance initiative (PFI), Building schools for future (BSF) and Liverpool investment school programme (LSIP)
* Any other unpaid debt

# 3. Debt Recovery Process

A flowchart summarising the actions to be taken is shown below;



# 4.Role of school debt panel



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# Appendix A – School debt annual repayment plan

|  |  |  |  |
| --- | --- | --- | --- |
| **Requested By** | **Service** | **Contact Tel No** | **Date** |
|  | **Finance Business Partnering** |  |  |

|  |  |
| --- | --- |
| **School Name:** |  |
| **Date:** |  |

|  |  |
| --- | --- |
| **Total amount of outstanding debt:****(Type of debt)*** **Outturn**
* **Sundry**
* **Other**
 | **£****£****£****£** |
| **1st repayment instalment:****2nd Instalment:****3rd Instalment:****4th Instalment:****5th Instalment:****6th Instalment:****7th Instalment:****8th Instalment:****9th Instalment:****10th Instalment:****11th Instalment:****12th Instalment:** | **Date:****Date:****Date:****Date:****Date:****Date:****Date:****Date:****Date:****Date:****Date:****Date:** |
| **Instalment amount:** | **£** |
| **Agree to be deducted from Cash Advance** | **Yes / No** |
| **Next Review Date:** |  |

**The following terms and conditions apply to this Repayment Plan:**

* The school will not vary the terms of the Standing Order mandate supporting the repayment plan without prior agreement with the Local Authority.
* The school will conform to the routine monitoring and reporting requirements set down in Schools Financial Regulations.
* The school will participate in regular reviews of the progress of the Repayment Plan as required by the Local Authority.
* The school must demonstrate this by sending in a cash flow statement together with the annual budget by 1st June each year and any other period. Debt should be cleared, if not, the debt recovery process will begin.

**School Debt Process:**

**All invoices (AR) are payable immediately after 56 days after the initial invoice being issued and the procedure for recovery of the debt is handled by the FMS Team.**

* The Local Authority will raise i**nvoices** for services provided to schools or to recover debt.
* If not paid within 28 days, a final notice is automatically sent out from the Centre Team to the School.
* If not paid within 42 days a notice of intended legal action is sent out to the school
* If not paid within 56 days, the debt is transferred from the Central Team System to the School Finance Team.
* **Statement of accounts** will be issued to schools on a half termly basis going forward. This will show all invoices outstanding at that point of time.
* **Payment** to be directed to Liverpool City Council by cheque or BACS transfer.
* **Flexible** payment plans are available to pay monthly or termly.

**Comments: Schools Finance.**

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**Agreement by** **Director of Finance Business Partnering.**

|  |  |
| --- | --- |
| **Name:** |  |
| **Position:** |  |
| **Signature:** |  |
| **Date:** |  |

**Comments:**

|  |
| --- |
|  |

**Acceptance of this Repayment Plan (including all terms and conditions) by the school.**

|  |  |
| --- | --- |
| **Headteachers signature:** |  |
| **Date:** |  |

|  |  |
| --- | --- |
| **Chair of Governors signature:** |  |
| **Date:** |  |