

Committee:	Schools Forum
Meeting Date:	14 January 2016
Title:	Academy Debts
Author:	Fiona Heath
Decision making / consultative / information:	Information
Who can vote?	n/a

What is the Forum being asked to decide?

1. This paper is for information only.

Reason for recommendation

2. There are no recommendations as the paper is for information only.

Alternative options

3. There are no alternative options.

Who will be affected by this decision?

4. This paper is for information only, however a structural problem with collecting debts which require significant sums to be written off could affect all schools in Suffolk (academy and maintained) as per pupil funding would need to be reduced non-recurrently for one year to fund the costs of debt cancellation.

Main body of the Report

5. The purpose of this paper is to raise awareness of the debt owed to Suffolk County Council by academies.
6. Following the introduction of academies, Suffolk County Council is required to invoice for the services an academy has procured and received. The majority of academy invoices are paid by academies on a timely basis, in accordance with the payment terms and conditions of the council, but there are a number of outstanding debts owed by some of the academies.
7. The total outstanding debt i.e. more than 30 days (as at 18 November) is £491k.
8. A total of 24 Suffolk academies have currently exceeded the payment terms of the local authority. Although there are also debts from 7 academies outside of Suffolk, the total due is less than £2k.

9. The debts arise from two circumstances; those that were in place prior to conversion and those that have arisen for services provided following conversion.
10. The value of the respective outstanding debts, against individual invoices, varies considerably. The outstanding amounts are summarised below:

Table 1 – Outstanding Invoices

Academy	Outstanding Amount £	Status
A	122,247	Academy agreed repayment
B	44,425	Academy agreed repayment
C	98,146	Legal action pending
D	77,762	Legal action pursued
Total debts due from other academies (average debt value £1880)	148,538	SCC debt collection process followed
Total	491,118	

Pre-conversion debts

11. The four largest outstanding amounts total £342k and relate to arrangements that were in place prior to the respective schools converting to academy status. The debt for academy A was invoiced at the start of 2015, however the debts for academies B, C and D originate from 2013. All of these debts have been pursued by the local authority, before being escalated over recent months as summarised in the above table.

Post conversion debts

12. The various smaller debts amount to £148k, and are for services provided post conversion. The average value of these debts is less than £2k (*including the two larger debts). The smaller debts relate to:

Table 2 – Category of post conversion debt

Debt category	Amount outstanding £000s
Exclusion clawback	53
Advertising	25
Medical tuition	12
Reimbursement of AST salary	17*
Landlord and core services*	14*
E&L/Governor services	6
EOTAS	3
Other	18
Total	148

13. 65% of the post conversion debt is due from three academies i.e. academy B (£40k; 25%), academy E (£33k; 21%) and academy F (£30k; 19%).

14. Of these post conversion debts, £117k is more than 3 months overdue. The age profile of the smaller debts is summarised below:

Table 3 – Age profile of the post conversion debts

No of days	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	361 + days	Total
Amount £000s	9	15	7	17	26	74	148

15. It should be noted that the age of the debt does not correlate to the service provided / category of debt.

Mitigating action

16. In order to mitigate the risk of debts arising due to pre-conversion arrangements, all existing arrangements are encompassed in the Commercial Transfer Agreement; a legally binding document between the academy and Suffolk County Council.
17. All of the debts are pursued in accordance with the council's general debt policy and in liaison with the service provider. If payment can not be resolved, legal advice is sought. Clearly, legal action is a last resort not least because Suffolk County Council aims to have good working relationships with academies.
18. However the non payment of invoices results in a cost, either to:
- the dedicated school grant which in turn means less funding for all schools or
 - the department which provides the service; as the income forms part of the department's funded budget, failure to collect the income will result in a lower budget and could in due course, lead to a reduced service.
19. It should be noted that other providers of services to academies also have outstanding academy debts.
20. It is therefore essential that successful action is taken to recover these debts to ensure that:
- DSG is used cost effectively and to
 - enable the continuation of services available to schools and academies.