

Title of Policy/Procedure	Bad Debt Policy
Reviewers	Deputy Chief Financial Officer Management Accountant
To be read in conjunction with the following policies:	Financial Procedures, Administration and Control Policy
Consultation Process	This policy has been produced in consultation with Blue Kite Finance Committee
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Please note:

The Academy Trust Handbook (ATH) does not specifically reference how it expects debts to be recovered, instead suggesting that a Trust's internal control framework must include:

- *Applying discipline in financial management, including managing debtors and cash flow*

The ATH states that aggregate figures for write offs of any amount and any individual write-off greater than £5,000 must be separately disclosed to the Secretary of State through the annual accounts. The Trust must obtain the ESFA's prior approval for writing-off debts and losses where the value exceeds the lower of 1% of total annual income or £45,000 per individual transaction.

The ATH also states the Trust should only consider writing-off debts after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor and should be satisfied that there is no feasible alternative.

1. Aims

1.1. This policy aims to ensure that:

- The Trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the latest Academy Trust Handbook
- The Trust and those associated with it operate in a way that commands broad public support
- The Trust has due regard to propriety and regularity, and ensures value for money, in the use of public funds
- Trustees fulfil their fiduciary duties and wider responsibilities as charitable trustees and company directors
- Members, trustees and staff are aware of what constitutes acceptable gifts and hospitality, and the process that must be followed if they are presented with any of the same

2. Legislation and guidance

2.1. This policy is based on the Academy Trust Handbook, which states trusts are free to design and implement its own debt recovery policy so long as the notes above are adhered to from a reporting viewpoint.

3. Definitions

3.1. Debtors are used in this policy to describe any person, entity or body owing money to the Trust. Money owed will take many forms such as:

- Trips
- Lettings
- School Meals
- Sales invoices
- Refunds

4. Introduction

- 4.1. The Trust will take all reasonable measures to collect debts as part of its management of public funds.
- 4.2. 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.
- 4.3. The Trust's debt recovery policy will observe the relevant financial regulations and guidance set out in the Academies Financial Handbook and any other legal requirements.

5. Roles and Responsibilities

5.1. The Trust has delegated authority around the roles and responsibility levels within the Trust as follows:

- Any individual debt write-offs not exceeding £1,000 can be authorised by the Chief Executive Officer (CEO).
- Any individual debt write-offs exceeding £1,000 must be authorised by the Trust Board.
- For any single debt write-off exceeding £45,000 prior approval from the ESFA must be gained.
- A formal record of any debts written off will be maintained and this will be retained for 6 years (see 'Record of Debts Written-Off Register').
- The Trust will not initiate any 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 EFSA to consider taking legal or other action to recover the debt (subject to size and nature).

5.2. Wherever possible, payment for goods and services supplied by the Trust should be collected in advance or 'at the point of sale'.

5.3. The procedures to secure the collection of all debts are outlined in paragraphs 6 to 13 and should be followed by all Trust staff.

6. Acceptable 'Credit Period'

6.1. The Trust considers that an 'acceptable' credit period may vary between different income generating activities; for example:

- School lettings

- School meals
- Trips and activities

6.2. The Trust has a default of 30 days for all external sales invoices, whereas Trips are generally set-up with scheduled instalments – communicated to parents via letter.

7. Reporting of Outstanding Debt Levels

- 7.1. The Deputy Chief Financial Officer ('DCFO') will ensure that the level of outstanding debt is regularly monitored by the schools.
- 7.2. Suitable records will be maintained to detail individual debts and the total value of debt to the Trust in order that it can be determined at any time and reported to the Finance Committee as required. The DCFO will be responsible for maintaining suitable records.
- 7.3. If the Finance team feel a debt is at risk of recovery a provision will be made into the financial accounts for the full value until it can be ascertained that the debt is no longer at risk. Any debt owed to the Trust longer than 90 days and exceeding £1,000, will automatically be provided for as an 'Impairment of debtor'.
- 7.4. The Impairment of debtor provision will be posted to the profit and loss statement but does not require noting on the 'Records of Debts Written Off Register' until it is determined that the debt will not be recovered and therefore the write-off procedures noted below should be followed.

8. Debt Recovery Procedures

- 8.1. Where payment has not been received in advance, or 'at the point of sale', the following process should be applied:
- 8.1.1. A record of all goods and services due must be maintained detailing:
- type of good/services supplied
 - value
 - date(s) good/services supplied and
 - the identity of the 'debtor', e.g. child, parent, hirer, etc.

- 8.1.2. A sales invoice should be issued by the school for the full amount in order to officially set up the debt; where invoices are raised, they should state the date by which payment is due date/month/year. Community lettings are invoiced for amounts due through a lettings booking system.
- 8.1.3. As an alternative to a sales invoice, correspondence from the school may be used as a more appropriate and effective method of communicating outstanding amounts (e.g. to parents/guardians for school trips). Letters should state the maximum period that the school regards as reasonable before payment is overdue and when payment should be received.

9. Verbal and Written Reminders

9.1. Initial 'overdue payment' reminder can be informal and can be made either in person (when a parent/guardian comes to collect/drop off the child), or by telephone. The responsibilities for this 'reminder' are noted below:

9.1.1. For Trips:

- The trip leader is nominally charged with contacting parents/guardians in the first instance regarding an overdue payment.
- The trip leader is informed, in advance, by the school office when a debt has become 'overdue'.
- Where required a Senior Leadership Team member (Primary schools) may be engaged if the Parent/Guardian relationship is stronger at this level.
- On occasion, and only after consultation with the trip leader, the school office will seek debt recovery directly.

9.1.2. For Catering:

- The school prepares a report each week of any catering balances owed to the Trust from pupils.
- The school staff are responsible, for a verbal discussion with the parent/carer as required.

9.1.3. For Lettings:

- Lettings debtors are managed by the 'School Business Officer/Lettings administrator' using the same communication methods as noted above.

9.1.4. Other:

- Other debtors to the Trust will be managed on an ad hoc basis by the finance assistants, Accounting Technician and/or DCFO in the Finance department.
- The date of the initial verbal reminder should be recorded and communicated via email to the finance mailbox: finance@bluekitetrust.org.uk

9.2. First 'overdue payment' reminder letter or email

9.2.1. A formal reminder letter or email should be issued by the school two weeks after the informal reminder / the date of supply.

9.2.2. 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.

9.2.3. The date of the initial reminder letter should be recorded.

9.3. Second 'overdue payment' reminder letter or email

9.3.1. A second reminder letter or email will be issued by the school two weeks after the First Reminder Letter.

9.3.2. The date of the second reminder should be recorded.

9.4. Details of all reminders, whether verbal or in writing, should be maintained.

9.4.1. Where a reminder letter or email is issued, a copy must be retained on file and stored securely in the school.

9.4.2. Should a debt need to be taken beyond two reminder letters, formal written evidence may have to be produced.

9.4.3. It is therefore important that at least one, but preferably two, written reminders are sent.

10. Failure to Respond to Reminders/Settle a debt

10.1. If after verbal reminders and two reminder letters/emails, a response or payment is not received, a letter will be sent to the debtor by the Finance Team, advising them that the matter will be referred to the Trust's solicitors.

10.2. Subject to the circumstances, the debtor may also 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.

10.3. This decision and its basis will be recorded and reported to Trustees as required.

11. Negotiation of Repayment Terms

11.1. Debtors are expected to settle the amount owed by a single payment as soon as possible after receiving a first reminder.

11.2. However, if people are unable to pay:

11.2.1. The Trust may reduce or cancel a debt in certain circumstances.

11.2.2. 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 or exacerbate 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 debts:** 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.

11.3. If a debtor requests 'repayment terms' these may be negotiated at the discretion of the DCFO, who will consult with staff who have knowledge of a particular situation, in order to achieve an optimum and equitable resolution.

11.3.1. A record of all such agreements entered into will be retained.

11.3.2. In all cases, a letter will be issued to the debtor confirming the agreed terms for repayment.

11.3.3. The settlement period should be the shortest that is judged reasonable.

11.4. The DCFO will decide whether any debtor who has been granted extended settlement terms will not be offered any further 'credit' and will, in future, be required to pay in advance.

11.5. This decision and its basis will be recorded and reported to the Finance Committee as required.

12. Record Keeping

12.1. The Finance Department, as custodian of all debt records, is responsible for timely reporting of outstanding debtors throughout the Trust.

12.2. School' administration teams must ensure Trips reporting is up-to-date and head teachers/trip leaders are aware of the potential for 'overdue' debtors.

13. Bad debts

13.1. Where all reasonable debt recovery procedures have been followed, the Trust may decide to formally write-off the debt in accordance with the delegated authorities noted in section 5.

13.2. For any balance to be written-off the detail must be recorded on the 'Record of Debt Written off Register'. The DCFO is responsible for ensuring the register is maintained.