



Write Offs and Bad Debts Policy

March 2019

Contents

1. Policy Statement
2. Key Principles
3. Roles and Responsibilities
4. Procedures
5. Waiving of Debts (Write Off)
6. Accountancy Practice
7. Provision of Bad Debts
8. Review
9. Appendices

Trust Mission Statement

We are a partnership of Catholic schools and our aim is to provide the very best Catholic education for all in our community and so improve life chances through spiritual, academic and social development.

We will achieve this by:

- Placing the life and teachings of Jesus Christ at the centre of all that we do
- Following the example of Our Lady of Lourdes by nurturing everyone so that we can all make the most of our God given talents
- Working together so that we can all achieve our full potential, deepen our faith and know that God loves us
 - Being an example of healing, compassion and support for the most vulnerable in our society

Matthew 18:33 Good News Translation (GNT)

You should have had mercy on your fellow servant, just as I had mercy on you.

1. Policy Statement

- 1.1 This Policy has been established by the Our Lady of Lourdes Catholic Multi-Academy Trust (CMAT) to clearly set out the controls required to ensure the fulfilment of duty to the Trust and its Academies to receive all funds to which they are entitled.
- 1.2 The Trust recognises itself as a manager of public funds and its obligation to maintain and develop systems of financial control in accordance with the Academies Financial Handbook. Processes will be consistent and inclusive of the beliefs and values of the Trust.
- 1.3 Any monies owed to the Trust and our Academies impacts on the budget and may affect the level of effective provision of resources for the education of our students.
- 1.4 The policy identifies all debts owed to the Trust and our Academies including, but not limited to:
 - Lettings
 - Music Tuition
 - Trips
 - Uniform Purchases
 - School Meals
 - Miscellaneous Purchases

2. Key Principles

- 2.1 The Trust will take all reasonable and practical measures to ensure full recovery of outstanding amounts due to the Trust and/or Academies.
- 2.2 The Trust will not write off any debts owed by the Local Authority or any other public establishment.
- 2.3 To avoid low value bad debts, transactions below £25 must be paid in advance of any purchase, activity or service taking place.
- 2.4 The Trust will ensure that debtors understand the Trust position on outstanding debts and any actions within this policy that may be taken.
- 2.5 The Trust will endeavour, as a preventative action, to vigorously follow process in order to maintain the lowest possible level of debt at any one time. Reducing the risk of inflating the bad debt provision and preserving positive investment.

3. Roles and Responsibilities

- 3.1 The responsibility to chase outstanding debts is split between the Academy and the Trust as set out in the Financial Services – Service Level Agreement. All employees involved in the pursuit of debt collection shall follow the procedures outlined in this policy.
- 3.2 Debts owed **30-60 days owed by a parent shall be pursued by the Academy.**
- 3.3 Debts owed **60+ days owed by a parent shall be pursued by the Trust Central Finance Team** and escalated in accordance with lines of responsibilities outlined within each role.
- 3.4 All other debts owed not including parental debts and exceeding 30 days shall be pursued by the Trust Central Finance Team and escalated in accordance with lines of responsibilities outlined within each role.

4. Procedures

Debt Collection

- a. The Trusts expectation is that funds will be obtained as outlined below:

Debtor	Principal actions to prevent Bad Debt
<p>Student/Parent, Carer, Guardian - Where services, trips or resources are sold in relation to a pupil or curriculum activity.</p>	<ul style="list-style-type: none"> • Academy to ensure that funds are received prior to any service (e.g. Music Lessons) or additional resource being received (e.g. Revision Guide). • Academy to ensure that funds are received in full 1 week in advance of any trip/excursion departure date.
<p>Other - Where facilities or other services/resources are hired/sold to a person, establishment or company not in relation to a pupil or curriculum activity (e.g. a letting).</p>	<ul style="list-style-type: none"> • Academies will liaise with Senior Finance Personnel to establish payment terms in advance of any hire/sale of a service or resource. • In relation to a letting, terms are agreed in accordance with the lettings policy. One off lettings should make payment in advance and regular lettings should agree monthly payment terms. • Lettings debts are to be monitored and recovered by the Trust Finance Team.

4.2 The Trust and/or Academy will keep a full record of all services/resources supplied, their value, the date and the name of the debtor.

4.3 All documentation used to notify or collect debt will state the date by which the payment is due.

4.4 When a service, event or additional resource has been provided and notification of the charge has been distributed and the debt remains unpaid after 30 days of the date of that notification, the debt recovery procedure will be initiated as follows:

First reminder – At 30 days, a phone call to the debtor as a reminder that payment is due will take place. The date of the reminder shall be logged on the Debt Collection Record. (See Appendix A) along with any other key points of the discussion. An expected receipt of funds date should be established between both parties. In most cases an immediate or payment within 5 working days would be expected. Confirmation of the call will be mailed out to the debtor (See Appendix B).

Second reminder letter – At 60 days, a formal letter (See Appendix C) shall be sent to the debtor. This will be followed up with a phone call notifying the debtor that they will be in receipt of the letter. Expected payment date shall be reiterated and confirmed in writing. The notification shall be logged on the Debt Collection Record.

Final reminder letter – At 90 days, a final reminder shall be issued to the debtor (See Appendix D) outlining the communication chain which has already taken place and the possible legal action which could commence should payment not be received in the agreed time frame. The notification shall be sent recorded delivery and logged on the Debt Collection Record.

At 120 days – The file and summary of correspondence will be passed to the Finance Director. The Finance Director will give consideration to the following factors

Hardship – paying the debt would cause financial hardship.

Ill Health – recovery action might cause further ill health

Time – where the debt is so large in proportion to the debtor's income that it would take an unreasonable length of time to pay the debt.

Cost – where the value of the debt is significantly less than the cost of recovery.

Multiple Debts – where a debtor owes more than one debt. A single payment plan might be agreed to include all debts owed.

If the debt is in excess of £500 and all of the above are not considered relevant to the case of a debtor, then the Trust will proceed to take legal action through the small claims court. All records shall be kept up to date with current actions. The Finance and Estates Committee shall be notified that a small claims court summons has been issued.

If the debt is less than £500 then a move to the write off procedure will take place. Any future business with a bad debt customer will cease and the account will go on hold. All staff involved in booking or sales administration will be notified.

5. Waiving of Debts (Write Offs)

5.1 Those with delegated responsibility to waiver or write off a debt does so as set out in this policy and in line with the Trusts Financial Regulations Manual (Page 18).

5.2 Debts will be written off where the recovery procedures have been exhausted and proved unsuccessful or the debt is less than £500 and further action is either not cost effective or highly unlikely to succeed.

5.3 Further limits apply as follows:

Up to £500 - CEO

£500 to £1000 – Finance and Estates Committee

Over £1000 – Board of Directors

5.4 Where stipulated in the Academies Financial Handbook, approval to write off bad debts will be obtained from the ESFA.

5.3 A full list of bad debt write offs shall be reported to the Finance and Estates Committee at the next scheduled meeting, this routine shall continue where additional write offs occur.

6. Accountancy Practice

- a. The Trusts financial and administrative practice is to write off bad debts as a charge to 'Write Offs' expenditure code, not as a reduction of revenue.

7. Provision of Bad Debts

- a. The possible provision of bad debts will be reported to the Finance and Estates Committee. The Committee shall determine and review the bad debt provision annually and if appropriate an allocation will be charged to the Balance Sheet.

- b. A record of write offs shall be kept identifying the date, the value, the reason and approval for write off. This record shall be kept for 7 years (six historic plus current year)

8. Review

- a. This policy shall be reviewed bi-annually as outlined in the Trust Financial Regulations Manual (Page 18).
- b. Policy Version: Draft March 2019

Date Issued	March 2019
Date of Review	Biennially (every 2 years) March 2021
Reviewer	Audit and Risk Committee
Author	Daniel Moore

Appendix B: First Reminder

(To be produced on Trust Letter Headed Paper)

(Insert Date)

(Insert Academy)

Dear (Name of Debtor)

Re – Outstanding Debt

(Insert Debt Description) (Insert Date Debt Incurred) (Insert Debt Value)

I am writing in regards to the amounts owed to the academy which is now overdue. I understand that you have been contacted by (insert the academy name) regarding this matter as outlined below:

(Outline comms ytd by the academy)

I would be grateful if you could please arrange for settlement within 5 working days. Payment will ensure that you/your son/daughter will continue to be in full receipt of (Enter activities here) and will avoid any further action being taken.

If you are experiencing difficulty in paying this debt the please contact the Trusts Central Finance Team on 0115 8515454 to discuss the matter in confidence and we will see if we are able to offer any support.

If the payment has already been made, please accept my thanks and ignore this letter.

Yours sincerely

Finance Officer

Appendix C: Second Reminder

(To be produced on Trust Letter Headed Paper)

(Insert Date)

(Insert Academy)

Dear (Name of Debtor)

Re – Outstanding Debt Second Reminder

(Insert Debt Description) (Insert Date Debt Incurred) (Insert Debt Value)

Further to our letter dated (Insert Date) payment has not been received for the debt detailed above owed to the academy.

I am sure you are aware, academies operate on very tight budgets and we are obliged to seek settlement of every debt owed in order for us to have sufficient funds to ensure high quality teaching and learning for all our children.

In light of this, could you please arrange for settlement within 5 working days. In absence of payment being received, you/your son/daughter will no longer have access to (Enter activities here) until payment for such items is made in advance.

If you are experiencing difficulty in paying this debt the please contact the Trusts Central Finance Team on 0115 8515454 to discuss the matter in confidence and we will see if we are able to offer any support.

If the payment has already been made, please accept my thanks and ignore this letter.

Yours sincerely

Senior Finance Manager

Appendix D: Second Reminder

(To be produced on Trust Letter Headed Paper)

(Insert Date)

(Insert Academy)

Dear (Name of Debtor)

Re – Outstanding Debt Final Reminder

(Insert Debt Description) (Insert Date Debt Incurred) (Insert Debt Value)

I understand that you have been sent two reminder letters, dated as follows:

First reminder (Insert Date)

Second Reminder (Inset Date)

The letters were sent to you regarding the outstanding debt of (Insert Amount) owed to (Insert Academy Name).

As you are aware, (Insert Academy) operates on a very tight budget and is obliged to seek settlement of every debt owed in order to have sufficient funds to ensure high quality teaching and learning for all children at the academy.

While it may seem like a small amount, this means that the outstanding debt is extremely important to the academy. We pursue all debts owed and if a response is not forthcoming I am afraid we will need to consider passing the matter to our solicitors.

If you are experiencing difficulty in paying this debt the please contact (Insert Name of Senior Contact) on 0115 8515454 to discuss the matter in confidence and we will see if we are able to offer any support.

Yours sincerely

Finance Director