



DEBT MANAGEMENT AND BAD DEBT WRITE-OFF POLICY

APPROVED

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Signature of CEO	
Date:	
Signature of Chair of Board:	
Date:	
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1 BACKGROUND

- 1.1 In accordance with the requirements of the Believe Engage Succeed Trust's (BEST) funding agreement, the Trust is required to apply financial and other controls which conform to the requirements of propriety, efficiency and regularity and good financial management.
- 1.2 The Trust must comply with the principles of financial control outlined in the Academy Trust Handbook published by the ESFA
- 1.3 To this end, the Trust is responsible for ensuring that procedures are in place for the recovery of an outstanding debt. This policy sets out the procedure for debt recovery and for the write-off of any debt which is deemed to be irrecoverable.
- 1.4 This policy relates to the Trust and all of its academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.
- 1.5 This policy is an appendix to the BEST Finance Policy.

2 BAD DEBT

- 2.1 Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, a debtor's account will be issued.
- 2.2 Standard payment terms for the Trust and all of its academies is 30 days.
- 2.3 All debts will be recorded and non-payment will be followed up by issuing reminders at the following intervals
 - 4 weeks from date of account – 1st Reminder
 - 6 weeks from date of account – 2nd Reminder
 - 8 – 10 weeks from date of account – Final Reminder
- 2.4 After 10 weeks from the date of account, where the debt is still outstanding, legal action will be considered, and the debtor will be informed of this in writing.
- 2.5 Each academy in the Trust will make every effort to work with parents to prevent debts for school meals mounting. The Trust is sympathetic to the individual needs of parents and this will be taken into account. As well as issuing written reminders, academies will make telephone contact with parents to retrieve outstanding amounts.
- 2.6 Where parents are unable to settle the amount owed by a single payment, weekly repayments may be offered and academies may also suggest that packed lunches from home are provided until the debt is cleared.

- 2.7 The Trust may reduce or cancel a debt in certain circumstances. A sensitive approach to debt recovery for those who are unable to pay will be followed, taking the following factors into account
- Hardship – where paying the debt would cause financial hardship
 - Ill Health – where recovery action might cause or further exacerbate existing ill health
 - Time – where the debt is so large compared to the individual’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.
- 2.8 If, after every reasonable recovery action has been taken to collect the debt, legal action is considered impractical or has been unsuccessful individual bad (irrecoverable) debts may be recommended for write-off.
- 2.9 Claims via the Trust’s risk protection arrangement will be considered and any amount for write-off are before successful claims.

3 BAD DEBT PROVISION

- 3.1 Where a debt is outstanding after 10 weeks, a doubtful debt provision for the specific debt will be accounted for on the following basis

Businesses (companies including Local Authorities)

Days after issuing invoice	Loss Rate
100 – 180 days	20 %
180 – 360 days	50 %
> 360 days	100 %

Individuals (parents)

Days after issuing invoice	Loss Rate
100 – 180 days	50 %
> 180 days	100 %

4 WRITE-OFF

- 4.1 As per the Academy Trust Handbook, the Trust will obtain ESFA prior approval to write-off debts that are beyond the delegated limits as set out in the Handbook.
- 4.2 Where the debt to be written-off is below these thresholds, these are approved by either the CFO or the Trust Board as set out in the Trust’s Record of Financial Responsibility.
- 4.3 The Trust will retain a Bad Debt Write-Off Summary.