



Bad Debt Policy

Person responsible for policy: Chief Executive

Revised: October 2021

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The River Learning Trust

Bad Debt Policy

Introduction

The Academies Trust handbook requires Trusts to apply discipline in the financial management including the management of debtors. To this end the Trustees are responsible for ensuring that procedures are in place for the recovery of any outstanding debt. This policy sets out the procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable. It encompasses all debts owed to the Trust including, but not limited to, payments for goods, services, school trips, wrap around care and school meal payments. It also covers overpayments of salary and the recovery of money or assets lost through theft or fraud.

1- Debt recovery procedures

Wherever possible, payment for all goods and services supplied by the School should be collected in advance or at the time the relevant sale or service is provided. If this is not possible, a debtor's account will be issued.

All debts will be recorded, and non-payment will be followed up by issuing reminders at regular intervals as follows:

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

First "overdue payment" reminder:

- To be issued 2 weeks after the service is provided (can be by email or phone) but the date should be recorded.
- Payment required within 2 weeks

Second "overdue payment" reminder letter/email

- To be issued 5 weeks after the service is provided if account still outstanding
- Payment required within 2 weeks of the 2nd reminder

Final "overdue payment" reminder letter/email

- To be issued 8 weeks after the service is provided if the account is still outstanding

If after two reminders, a response or payment is not received, a letter will be sent to the debtor advising them that the matter will be referred to the school's legal advisers. At the discretion of the Headteacher, the debtor may 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. Where the family owing a debt has more than one pupil being educated in the Trust then paid for services may be withdrawn from all pupils until the debt is paid

Details of all reminders, whether verbal or in writing, should be maintained and the date recorded.

After 10 weeks from the date of the service/goods sold, where the debt is still outstanding, legal action will be considered.

Where the school incurs material additional costs in recovering a debt then such costs should be recovered from the debtor and the debtor should be formally advised that they will be required to pay the additional costs incurred by the school in recovering the debt.

Suggested letters are included in Appendix 1.

2- Monitoring and reporting outstanding debt levels

The School Business Manager and the Headteacher will ensure that the level of outstanding debt is monitored at each reporting period by reviewing the aged debtor report in PSF as well as any outstanding debt in ParentMail / ParentPay. The SBM/Headteacher will review the actions taken to recover the debt.

An adjustment is made at year end to add back to PSF any debtor/creditor in the cashless system.

The level of outstanding debts will be reported to the LGB as part of the financial reporting at least 6 times a year.

The Central trust accountant reviews the overall aged debtor at each reporting period and liaises with schools to ensure that any debt over 3 months old is followed up.

3- Negotiation of repayment terms

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

However, if people are unable to pay;

The School may reduce or cancel a debt in certain circumstances. A sensitive approach to debt recovery will be carried out at the discretion of the headteacher, taking the following factors into account.

Hardship – where paying the debt would cause financial hardship.

Cost – where the value of the debt is less than the cost of recovering it.

In such cases, the rationale of the decision should be documented. Repayment plans might also be considered. If so, a letter will be issued to the debtor confirming the agreed terms for repayment.

4- Specific debts & payment terms

4.1- Dinner Money for pupil meals

Dinner money should generally be paid in advance. Each school will need to consider its own procedures as to whether a meal is provided to a child where significant debts have been accumulated. Such decisions will take into account the age of the child and known family circumstances. Where a family is known to have financial difficulties then a recommendation for the registration for free school meals should be pursued, with the school offering assistance if required. Legally there is no requirement to provide a meal if payment is not forthcoming

4.2- Trips and Educational Visits

For educational visits it is not legally allowed to prevent a pupil from going on the visit if the donation has not been made. Therefore, any unpaid contributions to educational visits cannot be treated as requiring debt recovery. For non-educational school trips (e.g.: skiing holidays) payment should be required before the pupil attends the trip.

4.3- Childcare

Many of our schools provide paid-for childcare (nursery, before and after school clubs, holiday clubs). Payment should be required in advance of the service being provided to avoid debts occurring. Should a debt of 2 weeks of fees be incurred then the matter should be formalised (invoice raised, formal reminder sent). The Headteacher should also at this point withdraw the service until the debt is cleared.

4.4- Music Lessons

Music lessons should be paid for in advance. The school is often committed to making payment for the lessons for the full year and it is strongly suggested that the commitment from the parent matches the commitment to the supplier and such commitment should be made in writing.

4.5- Lettings

Lettings should be billed in advance and access withheld for further use of the facilities if the debt is still outstanding after the second reminder unless the alternative arrangements are specified in the lease or license.

4.6- Staff debts

Overpayments of salaries will normally be recovered through the payroll. If the member of staff has left the employment of the trust and owes a debt this should be pursued by letter. Any debts older than 2 weeks should be pursued in the normal way as described in section 1. Staff should not be allowed to incur debts for incidental items such as for school lunches.

4.7- Losses due to fraud or theft

Losses due to fraud or theft should always be recovered in full. The police should be involved in such cases.

5- Write off procedures

If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures:

The bad debts together with the actions taken to recover the debt should be sent to the Chief Operating Officer and will be included in the COO report to the Trust Board for approval.

All such write-offs will be recorded in the Trust Board minutes.

In addition, ESFA consent may be required if the write off exceeds 1% of annual income or £45,000 individually; or 2.5% or 5% of annual income cumulatively [[5.19 and 5.20 of the Academies Trust Handbook](#)]. Should it be considered that a debt of this size should be written off, the Chief Operating Officer will be responsible for gaining the necessary clearances from the ESFA.

Appendix 1 - Suggested Letters

First written reminder letter (to be issued 2 weeks after the service has been provided)

Dear [Name]

Debtors Account

This is a reminder that there is an overdue balance of £ [insert balance] on your account. This comprises the following:

[Insert description and amounts]

If payment is not received by DD/MM/YY(*2 more weeks after the first reminder*) all further paid for services must be paid for in advance or it will unfortunately not be possible for us to provide these services to you.

If you wish to speak to us about the overdue balance, please contact the School Office on XXXX
XXXXXX

Yours sincerely

[Name]

Second reminder letter (to be issues 5 weeks after the service has been provided if payment is still outstanding)

Dear [Name]

Debtors Account Number [Insert number]

Despite previous correspondence there remains an overdue balance on your account of £ [insert balance]. This comprises:

[Insert invoice numbers and amounts]

All further paid for services must be paid for in advance or it will unfortunately not be possible for us to provide these services to you.

If we do not receive payment by DD/MM/YY(*2 more weeks after the second reminder, 7 weeks after service provided*) we shall have no alternative but to take the necessary steps to recover the amount owing to us.

If you wish to speak to us about the overdue balance, please contact the School Office on XXXX
XXXXXX

Yours sincerely

[Name]

Final reminder letter (to be issues 8 weeks after the service has been provided if payment is still outstanding)

Dear [Name]

Debtors Account Number [Insert number]

We have contacted you on a number of occasions regarding the following outstanding invoices: -

[Insert invoice numbers and amounts]

Under the River Learning Trust's debt recovery policy, the school will take all steps necessary to recover amounts owing to the trust. Unless we receive payment within 7 days we shall be forced to refer the matter to the Chief Operating Officer who may instruct solicitors to recover the debt.

If you wish to speak to us about the overdue balance, please contact the School Office immediately on XXXX XXXXXX.

Yours sincerely

[Name]