



Kaleidoscope

Learning Trust

Embracing diverse approaches to educational excellence

Debt Recovery Policy

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1. Introduction

The purpose of this procedure is to outline the Trustee Board's guidelines for the management of the write-off of bad debts. It is the responsibility of Chief Finance Officer (CFO) to ensure that the bad debts financial practices are consistent with this statement.

The policies and procedures will apply to all the Trust's debtors irrespective of the source; the main debtor areas are:

- Placing Authorities
- Lettings
- Uniform purchases
- Miscellaneous purchases

Writing off bad debts is a non-routine function, and all practical means will be undertaken to recover outstanding amounts due to the Academy. Procedures shall be reviewed regularly by the Finance, Audit and Risk Committee to minimise bad debts and where appropriate and viable, legal action may be taken to recover larger amounts outstanding.

Only after all avenues to collect the amount due have failed, will the bad debt be removed from the Trust's accounts as a bad debt.

2. Debt Procedure

1. Any service that has been contractually invoiced and remains unpaid after 30 days of the date of the invoice will be contacted by email with an overdue account reminder to pay.
2. After 60 days a second reminder letter of outstanding account will be sent and telephone contact will be made. Telephone conversations with the debtor will be logged and key points recorded for further reference.
3. After 90 days a warning letter will be sent by recorded post, advising the debtor that the matter may be placed in the hands of the academy's solicitors.
4. After 120 days:
 - If the debt is over £500 then the CEO and CFO will consider placing the matter in the hands of the academy's solicitors. A final demand and intention of court action will be sent by recorded post. The Finance and Audit Committee is to be notified of small claims court summons issued.
 - If the debt is less than £500 then move straight to Debt write off.

Cease any future business with the bad debt customer by removing them from the Access system or inform them that any future services must be paid for in advance.

It is anticipated that debts will be settled promptly and in a single payment after the first reminder letter has been received. The debtor may be required to pay any additional costs

incurred by the trust as a result of collecting this debt. Interest may be charged from the due date at the Bank of England Base Rate + 1%.

3. Write Offs

Debts will be written off when the recovery procedures have proved unsuccessful or the debt is less than £500 and the bad debtor is unwilling to pay the amount due and further action is either not cost effective or highly unlikely to succeed.

Before the decision is made to write off individual arrears or part thereof, due diligence consideration should include the following:

- The cost recovery action against the amount of the arrears being pursued
- The likelihood of success i.e.
 - is it an individual or large company
 - are there funds to pay available
 - is the user of the services still contactable
 - what was the cause of non-payment
- Is/were the credit control procedures followed
- Could we improve on our procedures and practices

All arrears more than 120 days old shall be referred to the Finance, Audit and Risk Committee for consideration and possible write-off.

4. Accounting for Write-Offs

The Trust's financial and administrative practice is to write off bad debts as a charge to a revenue code or the related reserve for doubtful accounts, not as a reduction of revenue.

5. Provision of Bad Debts

The possible provision of bad debts will be reported in the monthly accounts as any debts which may possibly become uncollected and the potential for the current debt to deteriorate and become bad. A reasonable percentage of the debtors of the total revenue will be shown as a provision on the Balance Sheet. The Finance, Audit Committee shall determine and review the bad debt provision annually.

6. Record Retention

The complete record of the account, including write off approval and documentation of due diligence in the collection effort, will be retained in the archives for six years.