Ormiston Academies Trust

(Academy Name)  
Debt write off policy

Policy version control

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| Policy type | Mandatory |
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| Approved by | Joanne Dawson, National Director of Finance and Strategy |
| Release date | May 2023 |
| Review | Policies will be reviewed in line with OAT's internal policy schedule and/or updated when new legislation or guidance comes into force. |
| Description of changes | * Amendments to bring the policy in line with the financial delegation of authority. * Inclusion of monitoring in section 8 |

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1. Introduction
   1. The purpose of this policy is to outline the Academy’s guidelines, with regards to pursuing possible bad debts and their potential eventual write off. It is the responsibility of the finance lead to ensure that the bad debts financial practices are consistent with this statement.
   2. The policy and associated procedures will apply to all debtors within the trust regardless of type of service or good delivered and/ or whether it has been delivered by an academy or the central team. The main types of goods or services provided are::

* Lettings
* Uniform sales
* Before and after school clubs
* Meals
* Trips
* Miscellaneous
  1. Writing off bad debts is a non-routine function, and all practical means will be undertaken to recover outstanding amounts due to the Trust. The debt procedure service should be followed to minimise bad debts and where appropriate and viable, legal action may be taken to recover larger amounts outstanding.
  2. Only after all avenues to collect the amount due have failed, will the bad debt be removed from the Trust’s books as a bad debt.

1. Roles and responsibilities
   1. As a general rule, to avoid incurring debts, payments for materials and services provided by the Academy should be collected in advance or at the point of sale.
   2. Any person(s) involved in the monitoring, recording and pursuing of debts owed to the Academy must formally record any information gathered and actions taken – data which is to be kept by the Academy for a period of seven years.
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 mail, with an overdue account reminder to pay.
   2. Telephone conversations with the debtor will be logged and key points recorded for further reference.

* 60 days – Second letter of outstanding account reminder Telephone contact
* 90 days – Warning letter, member of senior staff responsible for finance to take file and any further correspondence
* 120 days – If the debt is over £500 then a final demand and intention of court action
  1. Paperwork to be reviewed by the Principal if there is an intention to notify the small claims court.
  2. If the debt is less than £500 then move straight to Debt write off
  3. Cease any future business with the bad debt customer by removing them from the Finance system and communicating with Finance Team.

1. Write offs
   1. 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 sill contactable
  + what was the cause of non-payment
* Is or was the credit control procedures followed
* Could we improve on our procedures and practices
  1. Prior to the write off of any debt the Head of Compliance and Reporting should be informed, who will then escalate to the National Director of Finance and Strategy accordingly. At this point careful appraisal of all of the facts including whether all reasonable action has been taken to recover the debtor, will be considered prior to the write off.
  2. If the debt is greater than the ESFA set delegated limits then the Finance &Capital (F&C) Committee will be informed by the National Director of Finance and Strategy. They will review the nature of the debt, underlying root causes and discuss any learnings to be taken. Approval by the F&C Committee is required prior to asking the ESFA for approval
  3. A summary of all debts written off will also be provided to the F&C Committee on a termly basis via the F&C Committee papers
  4. The National Director of Finance and Strategy must obtain ESFA’s prior approval, for bad debt transactions that equate to
* The delegated limits subject to a maximum of £250,000 are:
  + 1% of total annual income or £45,000 (whichever is smaller) per single transaction.
  + Cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts.
  + Cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

1. Accounting for write offs
   1. The Academy’s financial and administrative practice is to write off bad debts to the Bad Debt nominal expense code, with a corresponding credit to the sales ledger.
2. Provision of bad debts
   1. A bad debt provision will be reported in the monthly accounts for any debts which may not be recoverable. A provision should be included in the management accounts for any debt that is greater than 90 days old, where academies have not had any successful communications as to confirmation of imminent payment.
3. Record retention
   1. 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.
4. Monitoring and control
   1. The ageing of debts across the Trust is reviewed and monitored by the Head of Finance and reported to The National Director of Finance and Strategy on a monthly basis via the monthly finance report.