



BAD DEBT &
REDUNDANT EQUIPMENT
POLICY

March 2025-2027

Passmores Co-operative Learning
Community

This policy should be adapted in conjunction with the academy's financial regulations and the authorisation limits that have been agreed within this document.

1. Introduction

The principle of this policy is to ensure that PCLC (The Trust) correctly account for bad debts and redundant equipment.

2. Bad Debt

2.1 Income should be collected before or at the time the relevant sale or service is provided. Invoices will be generated by the Trust's accounting system wherever possible. If this is not possible, a manual ledger of debtors will be kept. However, to ensure sound internal control, employees who raise debtor accounts should not also have the authority to write off debts.

2.2 All debts will be recorded and non-payment will be followed-up by issuing reminders as follows:

- 4 weeks from date of account 1st reminder
- 8 weeks from date of account 2nd reminder
- 12 weeks from date of account Final reminder (sent by recorded delivery)

If after 12 weeks payment is still not forthcoming, then legal action will be considered and the debtor informed of this in writing.

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

Those up to the value of £1,000 to be approved by the Finance Manager and next meeting of the Finance and Audit Committee ;

Those exceeding £1,001 but less than £2,500 to be referred to the CFO/CEO for approval. Those exceeding £2,501 but less than the ESFA limit for approval must be referred to the Board of Trustees for approval

2.4 The ESFA's prior approval must be obtained for the following transactions beyond the delegated limits of the two categories set out below:

- writing-off debts and losses and any uncollected fines; and
- entering into guarantees, letters of comfort or indemnities.

2.5 The delegated limits 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; and
- 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.

2.6 There are occasions where the above procedures may not be followed and they are;

- A payment plan has been agreed between the Trust and debtor.
- Invoices raised are being challenged by a Debtor
- Where legal costs would cost more than the debt
- Where students have left the school and parents are no longer engaged with the school.

3. Redundant Equipment

3.1 The Board of Trustees has the authority to declare equipment, furniture or other assets surplus to requirements and to arrange for their sale or write-off, provided the items concerned were purchased in full or part from its delegated budget.

3.2 Where the estimated disposal value of surplus or redundant assets or stores is less than £1,000 or sale is to be by public auction or competitive tendering up to £5,000, authority for disposal can be given by the Chief Executive Officer.

3.3 The prior approval of the Board of Trustees will be required where;

- the estimated disposal value is over £5,001 and the sale is not to be by public auction or competitive tendering;
- the sale is to be to a Governor or an employee of The Trust or another connected party.

3.5 A list of equipment disposed-of will be presented to the Board of Trustees at their next meeting. This list will show, as far as is known, the item, date of manufacture or purchase, values when new and when made redundant and disposal value. The Trust's Fixed Asset Register will be amended to show disposals and such entries will be endorsed by the CEO.

3.6 The net income (i.e. excluding VAT) from sales of surplus or redundant assets or stores purchased from an individual Academy's budget will be credited back to the individual Academy.

This policy was approved by the Finance, Audit & Risk Committee on 12th May 2025. It will be reviewed at least every two years.

