



The Rosary Trust

A Catholic Education Trust

Bad debt and redundant equipment Policy

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1. Introduction

The principle of this policy is to ensure that the Rosary Trust (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:

- | | | |
|--------------------------------|----------------|-----------------------------|
| • 3 weeks from date of account | 1st reminder | |
| • 6 weeks from date of account | 2nd reminder | |
| • 8 weeks from date of account | Final reminder | (sent by recorded delivery) |

If after 10 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 £100 to be approved by the Executive Head/Head Teacher and next meeting of the Local Governing Body;

Those exceeding £100 but less than £500 to be referred to the Local Governing Body for approval. Those exceeding £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, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous two financial years.

- 2.6 As the Trust is not VAT registered, there will be no issue regarding the write off of VAT. However, if in the future the Trust does become VAT registered then any VAT element of the debt cannot be written-off, as this contravenes HM Customs and Revenue statutory regulations.

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 £1000 or sale is to be by public auction or competitive tendering up to £5000, authority for disposal can be given by the Chief Accounting Officer.
- 3.3 The prior approval of the Board of Trustees will be required where;
- the estimated disposal value is between £1,000 and £5,000 and the sale is not to be by public auction or competitive tendering;
 - the estimated disposal value is above £5,000;
 - the sale is to be to a Governor or an employee of The Trust or another connected party.
- 3.4 The ESFA will be consulted regarding the sale or disposal of redundant items of equipment, etc. valued in excess of £5000.
- 3.5 The Trust's Fixed Asset Register will be amended to show disposals and such entries will be endorsed by the Chair of the Strategic Board.
- 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.