



# **Lincoln Christ's Hospital School**

## **Bad Debt Policy**

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**Review Date:** November 2017

## **1. INTRODUCTION**

1.1 In accordance with Section 74 of the Schools Funding Agreement, Lincoln Christ's Hospital Academy Trust is required to apply financial and other controls which conform to the requirements of both propriety and good financial management.

1.2 To this end the Governing Body is 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.

## **2. BAD DEBTS**

2.1 Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, a debtor's account will be issued. However to ensure sound internal control, staff who raise debtors accounts, such as the Principal Finance Officer, should not also have the authority to write off debts. The VAT element of any debt must not be written off, as this contravenes Her Majesty's Revenue & Customs (HMRC) statutory requirements.

2.2 All debts will be recorded and non-payment will be followed up by issuing reminders at the following intervals:

- 4 weeks from date of account - 1st reminder
- 8 weeks from date of account - 2nd reminder
- 10-12 weeks from date of account - Final reminder

2.3 The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days.

2.4 After 12 weeks from the date of the account, where the debt is still outstanding, legal action will be considered, and the debtor will be informed of this in writing.

2.5 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 Business and Finance Manager on behalf of the Academy Trust must provide 30 days' notice to the Secretary of State for Education of its intention to write off any debts owed to it as set out in Section 83 of the Schools Funding Agreement. This notice is required whether or not the circumstances require the Secretary of State for Education's approval (see below).
  - Those debts *below* the value set out in the annual Academies Financial Handbook can then be approved and written off by the Leadership and Management Committee and reported to the next meeting of the Governing Body.
  - Any proposed write off of debts *above* the value set out in the annual Academies Financial Handbook require the prior written consent of the Secretary of State for Education in accordance with section 82 of Schools Funding Agreement.

2.6 The Academy will retain a Bad Debt Write-Off Summary.