ELATT Bad Debt and Write-Off Policy

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PURPOSE AND SCOPE

This policy defines the procedures for managing outstanding debts, establishing bad debt provisions, and authorising the write-off of irrecoverable balances. It ensures that the charity's financial records accurately reflect its true financial position while maintaining ethical standards in debt recovery.

This policy applies to all forms of income-generating debt, including:

- Invoiced trade debtors (e.g., service delivery contracts, training fees).
- Rental income or room hire arrears.
- Unpaid pledges or grant milestones (where recognised as receivable).

DEBT MONITORING AND ESCALATION TIMELINE

The Finance Team will review the aged debtors report at the end of every calendar month. Standard repayment terms are **30 days from the invoice date**.

If payment is not received, the following structured escalation process must be followed:

- **Days 31–45 (Overdue):** First polite reminder sent by email or post by the Finance Officer.
- **Days 46–60 (Late):** Second reminder sent. A phone call is placed to the debtor to resolve potential disputes or administrative blocks.
- **Days 61–90 (Late**): Third reminder sent. Further phone call is placed to the debtor to resolve potential disputes or administrative blocks.
- **Days 91 +** A formal "Final Notice" letter is issued via recorded delivery, offering a 14-day window for payment or the agreement of a formal payment plan.
- **Year-end (Bad Debt Review):** If the debt has still not been resolved by the Year End, the debt is moved to the bad debt review list and evaluated for potential provision or write-off.

CRITERIA FOR DEBT WRITE-OFF

A debt may only be considered for formal write-off when all reasonable recovery efforts have been exhausted, or when pursuing the debt conflicts with the charity's core mission.

Valid reasons for a write-off include:

- **Uneconomical to Pursue:** The administrative or legal cost of recovery exceeds the total value of the outstanding debt.
- **Insolvency:** The debtor has entered liquidation, bankruptcy, or administration, and there are no distributions available to unsecured creditors.
- **Untraceable:** The debtor cannot be located, and reasonable search efforts (or tracing agents) have failed.
- **Hardship or Vulnerability:** Pursuing the debt would cause severe financial hardship, exacerbate a vulnerable person's situation, or severely damage the charity's public reputation.
- **Legal Limitation:** The statutory time limit for enforcing the debt under the Limitation Act 1980 (6 years) has expired.

DELEGATED SCHEME OF AUTHORISATION

To maintain strict internal controls, no individual may write off a debt without proper authorisation. The following thresholds outline who has the authority to approve a write-off based on the total value of the debt:

Outstanding Debt Amount	Required Approval Authority	Reporting Requirement
Up to £5,000	Finance Manager / CEO	Logged in Monthly Financial Report, Finance Committee informed
£5,001 – £10,000	Treasurer / Finance Committee	Documented in Committee Minutes
Over £10,000	Board of Trustees	Formally Approved at Board Meeting

Note: Debts belonging to the same individual or organisation cannot be split into smaller amounts to bypass these authorisation thresholds.

ACCOUNTING TREATMENT & CHARITY SORP COMPLIANCE

In accordance with the Charity SORP (Statement of Recommended Practice), the charity will account for bad debts as follows:

- **Bad Debt Provision:** At the financial year-end, the Finance Manager will review all debts older than 90 days and establish a "Provision for Doubtful Debts" against specific amounts deemed unlikely to be recovered.
- **Statement of Financial Activities (SoFA):** When a debt is formally written off, it must be charged against the specific income stream or project heading where the initial revenue was originally recognised. It should not be bundled broadly into general governance costs unless it relates directly to core administrative income.
- **Recovery of Written-Off Debt:** In the exceptional event that a previously written-off debt is recovered, the receipt must be credited back to the original income category in the year it is received.