

Debt Management Policy

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Contents

Section No.	Section Heading	Page No.
1	Introduction	4
2	Purpose of the Policy	4
3	Standard Approach to Credit Control	4
4	Credit Control for NHS Debtors	4
5	Credit Control for non-NHS Debtors	5
6	Bad Debt Provision	5
7	Write-Off of Bad Debts	6
8	Monitoring and Evaluation	6
9	Roles and Responsibilities	7
10	Equality and Health Inequalities Impact Risk Assessment (EHIIRA)	7
11	Implementation and Dissemination	7
12	Training Requirements	7
13	Monitoring and Review Arrangements	7
14	Consultation	7
15	Associated Documents	7

1.0 Introduction

- 1.1 NHS Lancashire and South Cumbria ICB (the ICB) supplies services to both NHS and non-NHS organisations. Debtor invoices for services provided and in relation to applicable recharges are raised through the ICB's Integrated Single Financial Environment (IFSE) general ledger. This is undertaken on the ICB's behalf by the credit control team within NHS Midlands and Lancashire Commissioning Support Unit (the CSU), upon receipt of an approved invoice request form from an authorised member of the ICB Finance Team (please refer to the ICB's Scheme of Reservation and Delegation for authorisation levels).
- 1.2 Once invoices have been raised on ISFE, NHS Shared Business Services (SBS) issue invoice documentation to customers. SBS and the CSU provide credit control services to the ICB and liaise with the ICB's Financial Control team; providing a monthly aged debtor position report and details of actions undertaken to recover the monies due.

2.0 Purpose of the Policy

- 2.1 This policy aims to ensure that the ICB complies with all statutory, finance regulatory and NHS policy in relation to management, monitoring and accounting for the ICB's debtors.
- 2.2 This policy outlines the debt management procedure in place to ensure the ICB collects cash on a timely basis and the processes that are in place for regular review of debtor information. The policy also sets out the process for providing for bad debts where it is envisaged a debt may become irrecoverable and writing off bad debts within the ICB.
- 2.3 This policy should also be read in conjunction with the NHS England Losses and Special Payments Guidance for ICBs, which is available on the NHS England website.

3.0 Standard Approach to Credit Control

- 3.1 Standard payment terms for the ICB are 30 days from date of invoice. NHS Shared Business Services pursue the collection of all debts up to 60 days overdue, at which point the CSU has the responsibility for pursuing recovery.
- 3.2 The aged debt report is provided by the CSU to the ICB's Financial Control team as part of month end reporting processes. The Financial Control team also meets monthly with the CSU to review the debtor position, ensure appropriate process are being undertaken to best recover outstanding debt and establish if there are any debts that may fall into the category of irrecoverable.

4.0 Credit Control for NHS Debtors

- 4.1 Where the debtor is an NHS organisation which currently also uses SBS, invoice transactions will be automatically interfaced from the ICB's Accounts Receivable system through to the debtor organisation's Accounts Payable system for processing and payment. NHS reminder letters are not issued for these transactions. Once overdue, SBS pursue collection directly with the individual who has the debtor invoice in their workflow.

- 4.2 As part of the formal agreement of balances process at month 9 and month 12, debts between NHS organisations are compared and agreed between the receiving and supplying organisations. In the event of any discrepancies between the organisations and an inability to reach and agree a mutual solution, the matter is referred to NHS England for mediation and dispute resolution.
- 4.3 Thus, transactions between NHS bodies cannot be treated as bad debts and a provision for bad or doubtful debt is not required for NHS debtors. When it is clear and agreed that a debt is not going to be settled by the receiver organisation, then a credit note must be raised, and the cost involved will be credited against the original financial budget code unless agreed otherwise by the Chief Finance Officer.

5.0 Credit Control for Non-NHS Debtors

- 5.1 For non-NHS debtors, the credit control stages are as follows:
- Statement** – All debtors are sent a full statement of outstanding invoices and amounts each month by SBS. The statement will include all transactions up to the month end and will be issued by the 14th of the following month.
- 30 days from date of invoice** – A first reminder letter will be sent to all debtors by SBS when the invoice is 1 day overdue.
- 40 days from date of invoice** – SBS will send a second reminder letter.
- 60 days from date of invoice** – Debtors will receive a final demand letter from SBS at which point the CSU Credit Control Team will take on the responsibility of debt recovery on behalf of the ICB.
- 5.2 Non-NHS Debtors may be broken down further into two elements:
- **Local Authority Debtors**
- The ICB works in partnership with the Local Authorities in Lancashire and South Cumbria. Any issues in respect of outstanding debt with these organisations must be escalated through the relevant ICB finance representative, who will liaise with Local Authority colleagues in order to reach resolution.
- **Other Non-NHS Debtors**
- Other categories of non-NHS debtors may include those with commercial entities, the voluntary sector and former or current staff members.
- 5.3 The number of non-NHS invoices raised by the ICB is sufficiently low to enable debt to be reviewed on a case-by-case basis by the Financial Control team and consideration made as to the collectability of the debt. If all internal recovery avenues have not been successful, then the ICB may authorise utilisation of an external debt recovery agency via the CSU. This action is seen as a last resort measure and would only be used if the debt is considered economical to pursue.

6.0 Bad Debt Provision

- 6.1 A bad debt is an outstanding sum owed by a non-NHS body that is deemed impossible or uneconomic to collect. This might be because a commercial entity has gone into liquidation, the debtor is untraceable, or the sum owed is very small.
- 6.2 A provision for bad debt should be generated in accordance with current accounting standards. The ICB estimates the value of any such provision based on historical experience of write-offs with the debtor organisation. For any organisations identified with a history of bad debts, an expense for probable future losses should be raised in the same period that invoices are issued.
- 6.3 Any required provision will be debited to expenditure and corresponding entry will be credited to the provision for bad debt on the balance sheet (Statement of Financial Position). The provision on the balance sheet will be reviewed and adjusted as required on a biannual basis by the Financial Control team.

7.0 Write-Off of Bad Debts

- 7.1 Biannually the Financial Control team will produce a schedule of debts considered to be uncollectable. It will detail the attempts to recover the debt and the reasoning behind the recommendation for write-off. This schedule will be approved in line with the ICB's Scheme of Reservation and Delegation and NHS England guidance on Losses and Special Payments:

Organisation, Committee Name or Post Holder	Approval Limit for Bad Debt Write-Offs
NHS England	Greater than £300,000
ICB Board	Up to £300,000
ICB Executive Team	Up to £100,000
Chief Finance Officer	Up to £50,000

- 7.2 All debt write-offs will be recorded in the ICB's Losses and Special Payments Register and will be reported to the next meeting of the Audit Committee.
- 7.3 Once written off, the ICB may reinstate a debt and attempt to collect it if new information regarding the debtor becomes available.
- 7.4 The write-off should be charged against any existing specific provision for bad debt on the balance sheet in the first instance before charging directly to expenditure.

8.0 Monitoring and Evaluation

- 8.1 The aged debt position is reviewed and monitored by the Financial Control team as part of the month end processes. Explanations for any significant movements on debtors are provided to the Deputy Director of Operational Finance. The balance sheet, including the overall debtor position is reported on a monthly basis to the Finance and Performance Committee.

8.2 Dissemination of information on the debtors position should also be made to any relevant finance team members to assist with supporting overall cashflow management and availability of resources to be drawn down by the ICB.

9. Roles and Responsibilities

9.1 Roles and responsibilities of individuals, teams and committees are described through the course of this policy.

10. Equality and Health Inequalities Impact Risk Assessment (EHIRA)

10.1 An EHIRA has been completed and signed off by the Equality and Inclusion Team. Details can be requested from the Equality and Inclusion Team.

11. Implementation and Dissemination

11.1 This policy will be publicly available on the ICB website.

12. Training Requirements

12.1 There are no specific training requirements in relation to this policy.

13. Monitoring and Review Arrangements

13.1 The policy will be reviewed every three years or as and when statute, financial regulations or NHS requirements change, whichever happens first.

14. Consultation

14.1 As this is a technical finance policy to comply with statute, financial regulatory and NHS reporting requirements, it does not require consultation although the views of ICB finance professionals and the Audit Committee have been sought.

14.2 Similar policies from across NHS organisations have also been reviewed in order to ensure a consistent approach.

15. Associated Documents

15.1 The following documents should also be referenced when reading this policy:

Publisher	Document
International Financial Reporting Council	International Financial Reporting Standard 9 (IFRS 9): Financial Instruments International Financial Reporting Standard 15 (IFRS 15): Revenue from Contracts with Customers

NHS England	NHS England Losses and Special Payments Guide
NHS Lancashire and South Cumbria ICB	Scheme of Reservation and Delegation