

Debtor & Write off Policies and Procedures

Reviewed September 2013

Debtor & Write off Policies and Procedures

Contents

1. Introduction.....	3
2. Responsibilities.....	3
3. Equality and Diversity	3
4. NHS Constitution	4
5. Procedure for raising invoices to other organisations/individuals	4
5.1 Authorisation of supply	4
5.2 Notifying Finance to raise a sales invoice	4
5.3 Raising Sales Invoice	5
6. Credit Control (Debt Chasing and Collection).....	5
6.1 Standard approach to Credit Control	5
6.2 Payroll overpayments (for staff who have left the CCG).....	7
6.3 NHS debtors	7
6.4 Manchester City Council.....	7
7. Disputes	Error! Bookmark not defined.
8. Provision for debts	8
9. Monitoring Compliance with and Effectiveness of this Procedure.....	9
10. Review of the procedure	9
11. Debtor Complaints procedure	9
Appendix 1 Sample Debtor Request form.....	11
Appendix 2 NHS Shared Business Services Debtors Policy.....	Error! Bookmark not defined.

1. Introduction

The aim of this document is to provide guidance to all CCG staff requesting money from another organisation/individual for goods, services or recharges of costs. (The organisation/individual will be referred to as the Debtor in the rest of this procedure.)

This procedure applies to all employees of the CCG, any staff who are seconded to the CCG, contract and agency staff and any other individual working on CCG premises.

This policy covers the following:-

- Requesting a sales invoice (via a Debtor Request form – sample in Appendix 1)
- Raising the sales invoices
- Collection of outstanding debts
- Receipting of payments
- Disputing invoices
- Provision for bad or doubtful debts and write off

Excluded from this policy are the following:-

- VAT debtors
- Prepayments
- Income accruals

2. Responsibilities

Management Accounts are responsible for completing debtor request forms, ensuring that there are accurate and completed in full before sending on to the Citywide Finance team.

Completed debtor requests need to be emailed to ar@manchester.nhs.uk

The Citywide Finance team are responsible for validating the debtor request forms, raising the sales invoices and collecting the cash in conjunction with NHS Shared Business Services

The Shared Finance Team will provide quarterly updates to each of the CCG's Finance & Performance Sub Committees confirming the current debtor's position and highlighting the aged debt profile. If there are any debtors write off's these will be reviewed by the CCG Finance & Performance Committee, before final authorisation of actions at the CCG Audit Committee.

3. Equality and Diversity

The CCG is committed to:

- Eliminating discrimination and promoting equality and diversity in its policies, procedures and guidelines, and

- Designing and implementing services, policies and measures that meet the diverse needs of its population and workforce, ensuring that no individual or group is disadvantaged.

To ensure the above, this procedure has been equality impact assessed.

Details of the assessment are available by calling the CCG on 0161 765 4000

4. NHS Constitution

The CCG is committed to:

- the achievement of the principles, values, rights, pledges and responsibilities detailed in the NHS Constitution, and
- Ensuring they are taken account of in the production of its Policies, Procedures and Guidelines.

This procedure supports the NHS Constitution by committing to use NHS resources responsibly and fairly and providing best value for taxpayer's money.

5. Procedure for raising invoices to other organisations/individuals

5.1 Authorisation of supply

Prior to agreeing to supply goods or services to any organisation or individual, the person responsible for initiating the supply within the CCG's must establish the following about the debtor:-

- (a) They are able to pay for the goods or services
- (b) They are authorised to contract with the CCG for the proposed supply of goods and services
- (c) Endeavour to obtain a Purchase Order

If the debtor requires a purchase order before goods or services can be supplied the CCG person responsible must obtain a purchase order (either paper or electronically) from them before supplying the goods or services

The goods or services should not be supplied if the debtor cannot meet all criteria.

Authorisation for supply must be obtained from the relevant budget holder.

5.2 Notifying Finance to raise a sales invoice

The authorising budget holder must notify their management accountant to raise a sales invoice to the debtor.

To raise a debtor request, budget holders must provide the following information: -

- Name of the debtor in full (specifying whether NHS or Non NHS.).
- Contact name in the debtor organisation and telephone number.
- Full address of the debtor including post code
- Brief description of the services/goods. ^{** see below}
- The dates when the service/goods were provided.

- Amount
- Whether VAT applies to the invoice
- For NHS organisations, specify whether income is : -
 - Gross or Net accounting
 - Programme (associated with delivery of healthcare) or Admin
- The full financial code including the analysis 2 code as appropriate to identify the organisation in line with the general ledger mandated coding structure

** in addition to the description the requestor or management accountant must provide sufficient evidence and information as backup to enable the debtor to be completely clear exactly what service was received, the period this relates to and the basis for the calculation of the amount due. Ideally a confirmation email from the debtors confirming that they accept the charge would be good practice

The management accounts team will check the information provided by the requestor and complete the debtor request form (available from the citywide finance team). An example is shown in Appendix 1. (This is an excel based document).

The form must be submitted electronically to the Account Receivable Team Mailbox AR@manchester.nhs.uk

5.3 Raising Sales Invoice

The citywide finance team will check the debtor request as follows:-

- All details are correct
- Adequate back up has been provided

Where there is inadequate backup, the team will liaise with the relevant management accountants in the first instance to obtain the information before the invoice is raised. If the team considers that there is insufficient backup to collect the debt they will refer the issue to the Head of Financial Management & Governance.

The citywide finance team will retain the debtor request on file and also record details of the sales invoices raised on the request.

AR will raise a sales invoice, which is sent to NHS Shared Business Services to be processed and sent out to the customer.

6. Credit Control (Debt Chasing and Collection)

6.1 Standard approach to Credit Control

NHS Shared Business Services are responsible for collecting all debts and the full policy is attached in Appendix 2.

Standard payment terms for the CCG are 30 days from date of invoice. The exceptions to this are the following who will be on immediate payment terms:-

- Staff who have left the organisation

- Course fees and charges

The NHS Shared Business Services Policy covers contract debt for both NHS and Non NHS and is not applicable to the CCG's other than the movements between the three CCG's within Manchester which will be managed by the citywide financial team.

For organisations which currently use NHS Shared Business Services, these transactions will be interfaced from AR through to AP for processing and payment. NHS reminder letters are not issued for these transactions. The key collection dates are to collection efforts from day 1 overdue, with a referral to the client when it is 60 days overdue, for agreement of EDR.

For Non NHS commercial and non commercial debt the credit control stages are as follows:-

Statement - All debtors are sent a full statement of outstanding invoices and amounts each month. 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 NHS Shared Business Services when the invoice is 1 day overdue

40 days from date of invoice – NHS Shared Business Services will send a second reminder letter

60 days from date of invoice - Debtors will receive a final demand letter from NHS Shared Business Services.

Collections Efforts will commence from the first day overdue, SBS will refer debts to the CCG's central finance team for recommended write off's, or external debt collection where the debt becomes overdue by over 30 days.

Agreements to allow debtors to pay by instalments (also known as a payment plan) can only be agreed by the Head of Financial Management & Governance. The decision will take into account

- the amount of the debt
- how long it has been outstanding
- the financial circumstances of the debtor
-

The financial circumstances will be assessed on evidence such as recent bank statements, detailed income and expenditure for the Debtor, payslips etc.

If a debtor fails to adhere to a previously agreed payment plan, the debt will become due in full immediately.

6.2 Payroll overpayments (for staff who have left the CCG)

Where the employee has left the CCG, Payroll will notify the citywide finance team electronically with the full employee information and the amount and details of the overpayment, within 5 working days of becoming aware of the issue.

A Payroll Overpayment form needs to be completed in all cases.

The citywide finance team will then raise a sales invoice and send a copy of the invoice along with an accompanying letter to the debtor.

6.3 NHS debtors

The CCG is part of the NHS and there is a formal quarterly process for reviewing, agreeing and disputing debtors known as Agreement of Balances (AoB), documented elsewhere.

60 Days overdue

Invoices overdue by 60 days will be referred to the Head of Financial Management & Governance who will contact the organisation requesting

- (a) that the invoice be paid if it was agreed as part of the AoB exercise or
- (b) The reason for the dispute if it was not agreed.

90 Days overdue

If the invoice remains unpaid after 90 days and the CCG believes the charge to be valid the Head of Financial Management & Governance will refer the invoice to their counterpart within the debtor organisation, to obtain a resolution.

If the discussion is unsuccessful then discussions will take place at director level

Ultimately if these processes prove unsuccessful the debt will be escalated to the Area Team for arbitration.

6.4 Manchester City Council

The CCG has an on-going relationship with the Council and all issues must be escalated through the relevant Management Accountant.

Less than 90 Days Overdue

Representatives from the CCG's Finance Department meet on a regular basis with colleagues from Manchester City Council, and in these meeting outstanding debt is discussed.

90 Days Overdue

The matter will be escalated to the Head of Financial Management and Governance.

The Head of Financial Management and Governance will contact the Head of Finance at MCC requesting that the invoice be paid or for further information as to why it is dispute.

If agreement cannot be reached between the Head of Financial Management and Governance and the Head of Finance, it will then be escalated to the Chief Finance Officer with the CCG, who would contact the City Treasurer.

7. Disputes

Where the Debtor queries the sales invoice, there are two scenarios:-

1. Debtor identifies that there is inadequate backup or missing information
 - Debtor requires further information (inadequate backup) or needs their own systems to be followed e.g. Manchester City Council requires a Purchase Order (Missing information).
2. Debtor disagrees with at least one of the following
 - the amount
 - service delivered or
 - the period to which it relates (Disputed)

For scenario 1 (Missing backup or information) it is the responsibility of the budget holder to resolve the problem in conjunction with their management accountant. For these invoices follow the procedure in Appendix 2.

For scenario 2 (Disputed) AR will liaise with the management accountant in order to try and resolve the dispute.

Where payment has still not been received the invoice will need to follow the Provision process in section 8.

8. Provision for debts

Each quarter the CCG will review overdue debts and make a provision for debts on the following basis

Category	Trigger for provision	Provision
NON NHS	Debt outstanding for 60 days or more	Provision of 50% of outstanding debt if > 60 days overdue Provision of 100% of outstanding debt if > 120 days overdue

MCC	Debt outstanding for 60 days or more	Provision of 50% of outstanding debt if > 60 days overdue Provision of 100% of outstanding debt if > 120 days overdue
Other-paying in instalments Other-not paying in instalments	Debt outstanding for 60 days or more	No provision if payment plan in place and being adhered to Provision of 50% of outstanding debt if > 60 days overdue Provision of 100% of outstanding debt if > 120 days overdue

The CCG is committed to recovering all due amounts and only as a last resort will it consider write off of debts.

Write offs of debt must be reviewed by the Finance & Performance Sub Committee with a proposal approved by the Audit Committee

Waiver: Any deviations to this write off policy must be authorised by the Chief Finance Officer.

9. Monitoring Compliance with and Effectiveness of this Procedure

The citywide finance team will run an aged debt report each month which will include a report of all disputes. This will be circulated to the CCG Finance & Performance Committee or equivalent and reported to the CCG Board on a quarterly basis.

10. Review of the procedure

This procedure will be reviewed on an annual basis from the date of implementation.

Minor amendments (such as changes in title) may be made prior to the formal review, details of which will be monitored/approved by the Associate Director of Engagement in consultation with HR where relevant. Such amendments will be recorded in the Register and a new version of the PPG issued.

11. Debtor Complaints procedure

In the event that a Debtor wishes to raise any concerns, these concerns must be raised in writing (either by email or letter) to the Head of Finance Management & Governance at the following address, within 7 working days of the issue:-

Finance
Parkway 3
Princess Road
Manchester
M14 7LU

The Head of Financial Management & Governance will investigate the concern and provide a written reply within 14 working days of the receipt of the letter or e-mail.

In the event that the debtor wishes to progress the matter further they must then write to the Chief Finance Officer at the address above, who will then make a final decision.

Appendix 1 CCG Sample Debtor Request form

Organisation:
Debtor Request Template-
Request to raise a Sales invoice

**INPUT TO
 YELLOW BOXES**

**Guidance on
 completion**

**Example data for
 guidance**

COMPLETED BY REQUESTOR			
Ledger			
Requested by		Name of Mgmt Accountant requesting this	Ian Mather
Date Requested		Date requested	10/08/2009
Date for Invoice		Date to be entered on invoice	31/07/2009
Invoice or Credit Note		Invoice or Credit Note	Invoice
Type of Customer		Select from list	
Purchase Order No			
PAYROLL NUMBER (if Staff Member)		Assignment number- this is an 8 digit number	
Is this a New Customer?	NO		
Customer Name		Organisation name	Stockport
Department (if relevant)			
Address Line 1		Organisation full address	7th Floor
Address Line 2		Organisation full address	Regent House
Address Line 3		Organisation full address	Heaton Lane
Address Line 4		Organisation full address	Stockport
Post code		Mandatory	SK4 1BS
Contact Name		Name of contact person at Customer site	FAD SUE HOLLIS (LEAD NURSE)
Contact Name Department			
Phone Number		Phone No. of contact person at Customer site	0161 365 9874
Is this Income or a recharge?		If customer type is NHS Select Recharge or Income. Otherwise select NON NHS	
Description		Enter full description of service.	
Quantity			1
Price			12,000.00
Oracle Org			

Cost Centre		e.g. 730123	
Subjective		e.g. 666000	
Sub Code		e.g. 0000	
Spare Code		e.g. 0000	
Sub Total		Automatically calculated	12,000.00
VAT RATE	ZERO	Select from list	
VAT	0.00	Automatically calculated	-
Total		Automatically calculated	12,000.00
Additional Information		Any other information to be added about requestor	SARAH BROWN
BACK UP ATTACHED		Must have adequate backup	

COMPLETED BY AR			
Completed By		Name of AR user	Justine Field
		Oracle	
Oracle Reference		Invoice/Credit Note No.	123456
Date Created on Oracle		Date completed by AR	
VAT rate	20%		

Appendix 2: NHS Shared Business Services Debt Management Policy