

Provision for and write off of bad debts Policy

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1. Introduction and Background

- 1.1 This policy is to outline the procedure for providing for bad debts (the making of a bad debt provision) and the writing off, of bad debts within NHS Lancashire and South Cumbria ICB (the ICB).
- 1.2 This policy should always be read in conjunction with the ***NHS England Losses and Special Payments Guide***, which is available on the NHS England website

2. Purpose / Aims and Objectives

- 2.1 The purpose of this policy is to ensure that the ICB complies with all statutory, finance regulatory and NHS policy in relation to accounting and reporting of aged and bad debts.

3. Scope of the Policy and Definitions

- 3.1 The policy is in place to ensure that there is a consistent reporting of the level of aged debt within the ICB, the steps that should be taken to recover the debt and how the decision to write off debts is made.
- 3.2 This policy sets the roles and responsibilities of the Finance Team, the Chief Finance Officer, the Audit Committee and ultimately the ICB Board in this respect.
- 3.3 It also describes the steps that a debtor can expect to be taken should their debt become unrecoverable.
- 3.4 For the purpose of this policy, the following definitions will be used:

Debt	Monies owed by an organisation or individual to the ICB for either a service received or recovery of overpayments made
Debtor	The person or individual to whom an invoice has been raised
Aged debt	Income that is due to the ICB which is overdue for payment by more than 30 days
Bad debt	A debt that is to be recommended for writing off once all avenues of recovery have been exhausted and / or the cost of recovery has become uneconomical considering the value of the debt

4. Duty to comply with Standing Orders, Standing Financial Instructions and Prime Financial Polices

- 4.1 The process for providing in the accounts for bad debts and for the write off of bad debts shall comply with the ICB's Standing Orders, Prime Financial Polices and scheme of delegation, except where standing order number 3.9 suspension of standing orders is applied.
- 4.2 Under the terms of this policy, should such a suspension be required the exception is to be recorded and reported to the audit committee.

5. ICB Income

- 5.1 The ICB supplies some services to both NHS and non-NHS organisations, it may on occasion have need to raise creditor invoices to members of staff or other individuals. Creditor invoices for either services provided or in relation to applicable recharges are raised through the Integrated Single Financial Environment (IFSE) general ledger on the ICB's behalf by the Credit Control Team within NHS Midlands and Lancashire Commissioning Support Unit (the CSU).
- 5.2 The CSU procedure for doing this and for liaising with the ICB in all aspects of debt recovery are documented in ***"CSU Debt Management – Policy and Procedure"*** which describes in detail the management of debt on a day to day basis, process for issuing reminder letters, referral to debt recovery agencies and referral for legal action. As part of this, the CSU will refer debts to the ICB for review prior to submission to debt collection agencies or the ICB nominated solicitors.

6. NHS Debts

- 6.1 NHS invoices are raised and forwarded to the appropriate NHS body. As part of the quarterly agreement of balances process, debts between NHS organisations are compared and agreed between the receiving and supplying organisations. In the event of any discrepancies between the organisation and an inability to reach and agree a mutual solution, the matter is referred to NHS England for mediation and dispute resolution.
- 6.2 Thus, transactions between NHS bodies cannot be treated as bad debts and therefore fall outside scope of this policy. 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 income code unless agreed by the Chief Finance Officer.

7. Non-NHS Bad Debts

- 7.1 The Chief Finance Officer is responsible to the ICB Board for all aspects of debt management of the ICB. The on-going oversight of this is through the ICB's Audit Committee.
- 7.2 A bad debt is defined as an outstanding sum of money owed to the ICB by a non-NHS body or individual that is impossible or uneconomic to collect. For example the debtor company is in liquidation, the debtors is untraceable or the sum owed is very small.

8. Calculation of Quarterly Provision for Bad Debts

- 8.1 Each month the CSU will provide to the ICB a schedule of outstanding debtors, detailing those debts which are over due by 30, 60, 90 plus days. These will be reported to the ICB Board within the monthly finance report.
- 8.2 On a quarterly basis a review of the provision held in the account for bad debts will be undertaken and the appropriate adjustment made in the accounts in accordance with ***International Financial Reporting Standard 9 (IFRS 9) – Financial Instruments***.

The value of the provision will be estimated using the following matrix.

Age of Debt	Percentage of value to be included in bad debt provision
Less than 30 days	0%
31-60 days	33%
61-90 days	67%
More than 90 days	100%

- 8.3 The value of the on-going provision and the reasons for any material change will be reported to the Audit Committee at the meeting following the quarterly review.

9. Write Off of Bad Debts

- 9.1 On a quarterly basis, the CSU credit control team will produce a schedule of debts considered to be uncollectable and pass to the Chief Finance Officer for review. Taking into account the ***NHS England Losses and Special Payments Guide***, the Chief Finance Officer will report all proposed debt write off to the Audit Committee who will make a recommendation within their delegated authority or for onward

referral to the ICB Board or NHS England. The schedule will detail the attempts that have been made to recover the debt and the reasoning behind the recommendation.

- 9.2 All balances on the schedule will either be an approved write off within delegated limits, recommended for write off, instruction to be issued to the CSU for additional action to be taken to recover the debt or reported to NHS England for write off approval.

- 9.2.1 Write off of debts up to and including £50,000 can be considered and approved by the Chief Finance Officer.

- 9.2.2 Write off of debts over £50,000 and up to £300,000 should be considered and approved by the ICB Board

- 9.2.3 Write off of debts in excess of £300,000 are to be considered by the governing body for recommendation and referred to NHS England for approval.

- 9.3 All write-offs will be recorded in the ICBs losses and special payments register and will be reported to the Audit committee on a quarterly basis.

- 9.4 All debts written off will be written back to the originating budget code unless agreed by the Chief Finance Officer.

- 9.5 Once written off, the ICB may reinstate a debt and attempt to collect them if new information regarding the debtor becomes available

10 Roles and Responsibilities

- 10.1 Roles and responsibilities of individuals and committees are described through the course of this policy sections 7 through to 9 which also describes the process to be adhered to

11 Equality and Health Inequalities Impact Risk Assessment (EHIIRA)

- 11.1 An EHIIRA has been completed and signed off by the Equality and Inclusion Team. Details can be requested from the Equality and Inclusion Team.

12 Implementation and Dissemination

- 12.1 This policy will be publicly available on the ICB website.

13 Training Requirements

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

14 Monitoring and Review Arrangements

14.1 The implementation of this policy will be through a quarterly report to the Audit Committee.

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

15 Consultation

15.1 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 Chair have been sought.

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

16 Associated Documents

16.1 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
NHS England	NHS England Losses and Special Payments Guide,
Midlands and Lancashire Commissioning Support Unit	CSU Debt Management – Policy and Procedure