Debtors and Sales Order Policy

# Document Control:

| **Document Control Information** | **Details** |
| --- | --- |
| Policy Name | Debtors and Sales Order Policy |
| Policy Number | MSEICB 008 |
| Version | 1.0 |
| Status | Approved final version |
| Author / Lead | Interim Manager ICB Transition |
| Responsible Executive Director | Director of Resources |
| Responsible Committee | Audit Committee |
| Date Ratified by Responsible Committee | 20 June 2022 |
| Date Approved by Board/Effective Date | 1 July 2022 |
| Next Review Date | 1 July 2024 |
| Target Audience | * MSE ICB staff (including temporary/ bank/agency staff) * Contractors engaged by the MSE ICB   Staff from other MSE ICS Partnership organisations working on behalf of the ICB |
| Stakeholders Engaged in Development of Policy (internal and external) | MSE CCG Deputy Chief Finance Officers  MSE CCG Head of Accounting/Financial Controllers  MSE NHS Alliance Finance Director & Director of Financial Planning & Reporting  MSE CCG Audit Committees in common |
| Impact Assessments Undertaken | Equality & Health Inequalities Impact Assessment |

# Version History

| Version | Date | Author (Name and Title) | Summary of amendments made |
| --- | --- | --- | --- |
| 0.1 | 12.04.22 | Ruth Blake, Interim Manager – ICB Transition | Draft ICB Policy |
| 0.2 | 10.05.22 | Ruth Blake, Interim Manager – ICB Transition | RB updates to Policy following discussion with transition group and further completion of definitions, compliance and reference sections. Incorporate comments from initial review by Colin Larby Internal Audit. |
| 0.3 | 18.05.22 | Ruth Blake, Interim Manager – ICB Transition | RB updates to Policy following input from various finance team members and remove track changes for Audit Committee review |
| 0.4 | 17.06.22 | Ashley King, Finance Director – Primary Care & Strategic Programmes | Single change to format of contents table post audit committee comment |
| 0.5 | 06.07.22 | David Triggs, Governance Lead | Final checks |
| 1.0 | 12/08/22 | Marian Barritt / Sara O’Connor/ Darren Mellis | Review against policy checklist. |

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## Introduction

An Integrated Care Board (ICB) has power to do anything specified in section 7 (2) (a), (b) and (e) to (h) of the Health & Medicines Act 1988 for the purpose of making additional income available for improving the health service.

The Director of Resources is responsible for ensuring order to cash processes are designed and operated to support efficient, accurate and timely invoicing and receipting of cash and ensuring the debt management strategy reflects the debt management objectives of the ICB and the prevailing risks (Standard Financial Instructions 5.1).

## Purpose / Policy Statement

This policy is a key element of the ICB’s internal control environment and describes how to ensure that the debtor and debt management responsibilities placed on the Chief Executive and Director of Resources are discharged and implemented.

ICBs are required to identify and account for all monies owed at the earliest point in time and to ensure that the risk of bad debts is kept to a minimum.

## Remit

This policy applies to all ICB staff (including temporary/ bank/agency staff), contractors engaged by the ICB and staff from other MSE ICS Partnership organisations working on behalf of the ICB.

## Definitions

* **Bad Debt** – a debt that cannot be recovered.
* **Debtor** – an organisation or individual who owes money for goods or services received.
* **ICS** – Integrated Care System – the partners of Mid and South Essex Integrated Care System are Mid and South Essex NHS Foundation Trust, Mid and South Essex Integrated Care Board, Essex Partnership University NHS Foundation Trust, North East London NHS Foundation Trust, Essex County Council, Southend Borough Council, Thurrock Borough Council and Provide Community Interest Company.
* **IFRS15** – International Financial Reporting Standard which sets out the accounting treatment required for revenue from customers.
* **ISFE** - Integrated Single Financial Environment – uses standard NHS Oracle Release 12 platform to provide a common accounting system with a single Chart of Accounts and standardised processes and reporting to all ICBs.
* **NHS SBS** - NHS Shared Business Services – NHSE mandated provider of ledger system and transactional financial accounting services.
* **Purchase Order** - document used to authorise expenditure issued by the purchasing organisation.
* **Sales Order** - document used to request that sales invoices are raised in ISFE.
* **Schedule of detailed delegated financial limits** - document which shows what authority the Board has delegated to committees or staff under the powers of the Constitution. This is a schedule within the Scheme of Reservation and Delegation (SoRD) within the Constitution.
* **Senior Financial Services Officer** – refers to either the Head of Financial Services or the Deputy Director of Financial Management & Accounting.

## Roles and Responsibilities

### Finance and Investment Committee

* + 1. The Finance and Investment Committee is responsible for assuring the ICB Board that debt is being managed effectively and that processes are in place to ensure that bad debts are minimised but are identified and written off where appropriate.

### Director of Resources

* + 1. The Director of Resources is responsible for the design and implementation of the debt management strategy and ensuring that the relevant financial controls are in place and operating effectively.

### Financial Services Team

* + 1. The ICB financial services team is responsible for raising appropriate sales invoices in ISFE on a timely basis. They are also responsible for ensuring that the number of sales invoices are kept to a minimum to drive efficiency within the ICB and aim to work with employees and customers to consolidate invoices where possible.
    2. The financial services team maintains a sequential list of sales orders that should be checked at least monthly to ensure that all relevant sales invoices have been raised and that any sales orders that have not been raised as sales invoices have been accrued for by the relevant management accountant at month end.
    3. The financial services team is responsible for ensuring that sufficient information is included on invoices for the receiving organisation to process the payment.
    4. The financial services team should ensure that they liaise with the SBS debt management team and that the relevant finance business partner and budget holder provide any requested details to clear disputes.
    5. The financial services team will provide the latest available consolidated aged debt report to each Finance and Investment Committee meeting and will implement processes to deal with debts that are referred from SBS once they have exhausted the contracted follow-up processes with debtors. Exceptionally, they will identify debts for write-off where recovery is not possible or economic and provision for these debts will be made in line with the provisions of IFRS15.

### Finance Business Partners

* + 1. Finance business partners and other relevant members of the wider finance team are responsible for working with budget holders to identify income that needs to be invoiced and ensuring that the relevant documents are completed and sent to the financial services team on a timely basis. They are also responsible for ensuring that income is forecast monthly and that any debtor queries are responded to in liaison with the relevant budget holder.

### Budget Holders

Budget holders are responsible for working with their financial business partners to ensure that customers have understood and agreed any charges and fees that will be raised and for obtaining the information and evidence required to enable the financial services team to raise relevant sales invoices.

* + 1. Where customers raise queries regarding sales invoices the budget holder is responsible for liaising with the customer to resolve those issues in conjunction with their financial business partner.

### NHS SBS Debt Management Team

* + 1. The SBS debt management team are responsible for setting up and amending customer account details based on information and evidence forwarded by the financial services team (a pdf of either an invoice or on the relevant organisation’s headed paper with bank account details quoted). SBS are responsible for all 3rd party validation checks to ensure all changes are genuine and accurate.
    2. The SBS debt management team will deal with any system related issues with the process of sales invoices notifying the financial services team where their action or input is required.
    3. It is the responsibility of the SBS debt management team to issue follow up letters and make collection efforts in line with their contract with NHSE. When this process has been exhausted the SBS debt management team will recommend that the ICB considers writing off the debt or seeks external debt recovery processes. Debt write off should be considered in exceptional circumstances only either because the debt is unrecoverable or uneconomic to pursue further.

## Policy Detail

### NHS Invoices

* + 1. NHSE have implemented stream-lined charging between NHS organisations under Aligned Payments and Incentives (API). Payments to providers are made via Invoice Payment Files (IPF) and consolidated wherever possible to minimise the number of transactions. Whilst this applies to payments made from commissioner to provider, the same principles of minimising the number of transactions apply to payments made from provider to commissioner.
    2. Examples of charges that the commissioner may need to raise to NHS organisations includes the recharge of staff costs and services provided by the ICB. Invoices should not be raised between ICS NHS partners unless there is no alternative. Invoices to organisations within another ICS should be consolidated where possible and include all relevant information and evidence to ensure that payment can be made promptly and avoid disputes during NHS Agreement of Balances exercises. The financial services team follow all current NHSE guidance when carrying out the Agreement of Balances exercise.

### Non-NHS Invoices

* + 1. When a new debtor is recognised the budget holder should send an email to the financial services team, copied into their financial business partner or management accountant, detailing:
* Name of person or organisation to whom the invoice should be raised including a contact name for organisations.
* Billing address, telephone number and email address.
* Details of why the customer needs to be billed.

This will enable the financial services team to check whether the customer account already exists and set up a new account if required. Customer accounts are set up using a profile class which populates the essential account coding and should not be amended once set up. If organisation names change then details are submitted to the SBS accounts receivable team who will make the necessary adjustments.

* + 1. Sales orders are invoice requests and are completed by the budget holder who should request the next sales order number from the financial services team as a reference number. The sales order details include who to contact in the event of a query and sufficient details to be included on the sales invoice to ensure that the invoice can be paid by the recipient. Backing evidence as well as the completed sales order is sent to the financial services team.
    2. Separately, the financial services team should have a process in place to periodically review the ledger to identify areas in which consolidation is possible for future invoices either by supplier or by timeline. This should include identifying if several departments are invoicing the same supplier for different reasons, reviewing credit notes to identify areas of poor practice so that these can be addressed, and working closely with other ICS partners including the local authorities to identify consolidation opportunities.

### Payroll Debtors

* + 1. The ICB uses payroll services provided by The Whittington Hospital who manage the recovery of all overpayments for existing ICB employees. Either the HR team or the Whittington payroll team will write to the employee and arrange for recovery of the overpayment as necessary.
    2. Where the debt relates to an ex-employee the Whittington payroll team notify the Finance team. Overpayments made to individuals who have subsequently left the ICB will be reclaimed via documentation initiated by the Finance Team.
    3. Further information can be found in the Under and Over Payments Policy.

### Debt Management Strategy

* + 1. The ICB’s debt management strategy is to collect all debts unless they are irrecoverable or uneconomic to recover. The drive to consolidate invoicing should reduce if not eliminate the need to incur finance team resources on chasing small debts.
    2. NHSE hold the contract with SBS nationally and this includes a responsibility to issue follow up letters and make collection efforts on behalf of the ICB for non-NHS debts. Usual payment terms are 30 days from receipt of valid invoice and SBS action the contractually agreed steps for debts that are between 1- and 30-days overdue culminating in a recommendation to either write off the debt or commence external debt recovery once the debt is over 30 days overdue unless queries and disputes are raised on the invoices when the timescales are extended accordingly.
    3. It is important that the financial services team, the financial business partner and the budget holder engage with the SBS debt management team as appropriate to ensure that any queries or disputes are resolved positively and that these discussions are documented by the financial services team where it becomes apparent that a debt is unlikely to be collectable. However, debt write off should only be considered in exceptional circumstances.
    4. As part of the NHS quarterly Agreement of Balances process, which is carried out in accordance with national guidance, debts between NHS organisations are compared and agreed between the receiving and supplying organisations. In the unlikely event of a mutual solution not being agreed the matter is referred to NHSE for mediation. Transactions between NHS organisations cannot be treated as bad debts and must be resolved.
    5. The financial services team will prepare a summary of the aged debtors for review by each meeting of the Finance and Investment Committee as part of the Finance Report. It is important that the financial services team have carried out a proactive review of old debts to be able to report in sufficient detail.
    6. At least annually, usually in quarter 4, the financial accounts team will produce a schedule of debts considered to be uncollectable for the Director of Resources. If the financial services team identify a bad debt in excess of £100k the Director of Resources should be notified as soon as it is identified. The schedule will detail the attempts that have been made to collect the debts and the reasons for the recommendation to write off. Debt write-off will be authorised in line with the ICB schedule of detailed delegated financial limits, and all write-offs will be recorded in the ICB’s losses and special payments register and reported to the next meeting of the Audit Committee.
    7. A senior financial services officer will consider whether a bad or doubtful debt has implications for future transactions with the relevant customer and take actions accordingly.
    8. The ICB will carry a doubtful debts provision in the balance sheet based on non-NHS debts over a specified number of days overdue based on the requirements of IFRS15, if material. If doubtful debts are subsequently approved for write-off the relevant provision is utilised. The provision is reviewed at each year end.

### Fraud Awareness

* + 1. If a staff member or officer believes or suspects that a fraudulent transaction has been processed, they should consult the ICB [Counter Fraud, Bribery and Corruption Policy](https://www.midandsouthessex.ics.nhs.uk/publications/?publications_category=icb-policies) and contact the Local Counter Fraud Specialist Eleni Gill, ([eleni.gill@wmas.nhs.uk](mailto:eleni.gill@wmas.nhs.uk)). The ICB Counter Fraud, Bribery and Corruption Policy provides more guidance on what to do if fraud is suspected and offers alternative contacts for reporting concerns.

## Monitoring Compliance

SBS produce monitoring metrics which include the number of credit memo requests which is an indication of the efficiency and accuracy of the ICB’s processes in relation to raising sales invoices. A summary of these metrics is reported to each meeting of the Finance and Investment Committee.

Aged debtor reports are summarised for inclusion in the ICB’s Finance Report, quarterly to the Finance and Investment Committee and the Board.

All bad debt write offs are reported to the Audit Committee as part of the losses and special payments register and are disclosed in the Notes to the Statutory Accounts.

## Staff Training

Line managers must ensure that all relevant staff are aware of the contents of this policy document and the processes required to comply.

The Director of Resources is responsible for ensuring that appropriate training is given to finance staff and budget holders in order that they can fulfil their responsibilities outlined in this policy document.

## Arrangements for Review

This policy will be reviewed no less frequently than every two years. An earlier review will be carried out in the event of any relevant changes in legislation, national or local policy/guidance, organisational change or other circumstances which mean the policy needs to be reviewed.

If only minor changes are required, the sponsoring Committee has authority to make these changes without referral to the Integrated Care Board. If more significant or substantial changes are required, the policy will need to be ratified by the relevant committee before final approval by the Integrated Care Board.

## Associated Policies, Guidance and Documents

Associated Policies

* ICB HR Policy on payroll overpayments Under and Over Payments Policy
* ICB Counter Fraud, Bribery and Corruption Policy

## References

* NHSEI/NHS Shared Business Services – “Business Process Best Practice in the ISFE Environment” – Version 2.0 (March 2022)
* NHSE guidance on losses and special payments
* ICB Scheme of Reservation and Delegation
* IFRS15 – Revenue from Contracts with Customers
* ICB Standing Financial Instructions

## Equality Impact Assessment

The EIA has identified no equality issues with this policy.

The EIA has been included as Appendix A.

## Appendix A - Equality Impact Assessment

#### Assessor’s Name: Ruth Blake

#### Assessor’s Job Title: Interim Manager – ICB Transition

#### Date: 18 May 2022

#### Outcomes

Briefly describe the aim of the policy and state the intended outcomes for staff

The aim of the policy is to set out the requirements for debtor invoicing and debt collection and to ensure that ICB debt management is efficient and unnecessary transactions are avoided.

#### Evidence

**What data/information have you used to assess how this policy might impact on protected groups?**

The ICB regularly monitor the make-up of its workforce, including protected groups

**Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?**

Policy has been shared with CCG Deputy CFOs, CCG Head of Accounting/Financial Controllers, NHS Alliance Finance Director and Director of Financial Planning and Reporting as well as Internal Audit.

#### Analysis of impact on equality

The Public Sector Equality Duty requires us to **eliminate** discrimination, **advance** equality of opportunity and **foster** good relations with protected groups. Consider how this policy / service will achieve these aims.

N.B. In some cases it is legal to treat people differently (objective justification).

* **Positive outcome** – the policy/service eliminates discrimination, advances equality of opportunity and fosters good relations with protected groups
* **Negative outcome** – protected group(s) could be disadvantaged or discriminated against
* **Neutral outcome** – there is no effect currently on protected groups

Please tick to show if outcome is likely to be positive, negative or neutral. Please fill all boxes, any that aren’t applicable enter N/A.

Consider direct and indirect discrimination, harassment and victimisation.

| Protected  Group | Positive  outcome | Negative  outcome | Neutral  outcome | Reason(s) for outcome |
| --- | --- | --- | --- | --- |
| Age |  |  | ✓ | No impact identified |
| Disability  (Physical and Mental/Learning) |  |  | ✓ | No impact identified. The policy will be made available in alternative formats, such as easy read or large print and alternative languages upon request |
| Religion or belief |  |  | ✓ | No impact identified |
| Sex (Gender) |  |  | ✓ | No impact identified |
| Sexual  Orientation |  |  | ✓ | No impact identified |
| Transgender/Gender Reassignment |  |  | ✓ | No impact identified |
| Race and ethnicity |  |  | ✓ | No impact identified. The policy will be made available in alternative formats, such as easy read or large print and alternative languages upon request |
| Pregnancy and maternity (including breastfeeding mothers) |  |  | ✓ | No impact identified |
| Marriage or Civil Partnership |  |  | ✓ | No impact identified |

Monitoring Outcomes

Monitoring is an ongoing process to check outcomes. It is different from a formal review which takes place at pre-agreed intervals.

**What methods will you use to monitor outcomes on protected groups?**

Regular review of policy.

#### Review

**How often will you review this policy / service?   
(Minimum every three years)**

Every 2 years as a minimum and earlier if there are any significant changes in legislation, policy or good practice.

**If a review process is not in place, what plans do you have to establish one?**

N/A