

Policies, Procedures, Guidelines and Protocols

<b>Document Details</b>		
<b>Title</b>	<b>Finance Procedure R3: Accounts Receivable: Credit Control</b>	
Trust Ref No	811-53288	
Local Ref (optional)		
Main points the document covers	Procedures to be followed to encourage prompt payment of invoices & to reduce aged debt	
Who is the document aimed at?	All Finance staff, and managers responsible for income/recharge budgets	
Author	David Court, Head of Financial Accounting	
<b>Approval process</b>		
Approved by (Committee/Director)	Director of Finance	
Approval Date	May 2022	
Initial Equality Impact Screening	Yes	
Full Equality Impact Assessment	No	
Lead Director	Sarah Lloyd	
Category	Finance	
Sub-Category	Finance Procedures	
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<b>Distribution</b>		
Who the policy will be distributed to	Distributed to senior staff as defined by directors	
Method	Electronically to senior staff & available to all staff via the Trust website	
<b>Document Links</b>		
Required by CQC		
Required by NHS Resolution		
Other		
<b>Amendments History</b>		
No	Date	Amendment
1	January 2013	Strengthen para 5 on contact with debtors to reflect importance of aged debt follow-up, plus minor amendments to terminology
2	May 2016	References to prescription invoices added & minor amendments re reminder letters
3	October 2019	New Section 9 added to include a policy on the debt collection process for salary overpayments to ex-employees following audit recommendations. Also, removed reference to Trust Development Authority.
4	May 2022	No changes required
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# Shropshire Community Health NHS Trust

## Finance Procedures

### Section R Accounts Receivables

#### R3 Accounts Receivable – Credit Control

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##### 1 – Introduction

- 1.1 The Trust provides services to both NHS and non-NHS organisations, and these are charged for using the Oracle Accounts Receivable (A/R) sub-ledger (see Finance Procedure R1: Accounts Receivable – Invoicing & Receipts).
- 1.2 This procedure covers: -
- a) the Trust's policy on credit control, including the issue of automatic reminder letters
  - b) action in respect of overdue debts, including direct contact with the debtor
  - c) legal pursuit of the debt, including court action, and write off of "bad debts".

##### 2 – Payment terms

- 2.1 Payment of outstanding debts by NHS organisations and other public sector bodies is expected within 30 days, under the rules of the Better Payments Practice Code. The Trust also expects payment of outstanding debts by commercial and other organisations within the same time period, so payment of all invoices is due within 30 days of the invoice date.
- 2.2 As stated on invoices, the Trust reserves the right to charge interest and a collection fee on overdue accounts.

##### 3 – Monthly procedures supporting credit control

- 3.1 As a Trust it is important that invoices are paid promptly to increase the cash available.
- 3.2 The majority of the credit control procedure is the responsibility of the Accounts Receivable team, and consists of: -
- a) Issue of statements of account for outstanding receivables balances, unless invoices were only recently raised – these are produced from the Oracle system as part of the month end process (see Finance Procedure R2: Accounts Receivable – Month End Update)
  - b) Issue of reminder letters, including final demands for payment (see paragraph 4)
  - c) Direct contact where appropriate (see paragraph 5)
  - d) Recording contact and responses from debtors on the monthly aged debtors report (see Finance Procedure R2: Accounts Receivable – Month End Update).
- 3.3 If Trust staff are unsuccessful in obtaining payment from a non-NHS debtor, then it will be referred to solicitors for recovery (see paragraph 7).

#### **4 – The reminder letter cycle**

- 4.1 Reminder letters (known as dunning letters in Oracle) are generally issued weekly.
- 4.2 A cycle of up to three reminder letters is issued until the debt is paid. In view of the differing status of NHS debtors (where there is no redress to the Courts) and non-NHS debtors (where Court action is an option), differently worded letters are used at stages 2 and 3. The text of the reminders is stated at Appendices A, B & C. Reminder letters are generated automatically by the A/R sub-ledger according to the time periods specified by the user, which are: -
- |          |                       |                         |
|----------|-----------------------|-------------------------|
| Letter 1 | Debt 30 – 45 days old | (up to 15 days overdue) |
| Letter 2 | Debt 46 – 60 days old | (up to 30 days overdue) |
| Letter 3 | Debt 61 – 90 days old | (up to 60 days overdue) |
- 4.3 Letter 3 is a final warning, giving seven days for payment to be made. Therefore, any debt over 60 days overdue is likely to be the subject of further action.

#### **5 – Direct follow-up with the debtor**

- 5.1 Once an invoice is overdue (i.e., older than 30 days) the Financial Accounting Assistant begins to actively chase it up, prioritising larger value invoices. They contact the debtor by telephone or e-mail to ascertain the reason for non payment. This may be due to:
- Non-receipt of the invoice
  - Dispute as to the content of the invoice
  - Inability to pay.
- 5.2 Further action is taken as appropriate e.g., sending copy invoices, obtaining further backing information, referral to Informatics for patient data, or if disputed, referral to the person who requested the invoice.
- 5.3 If an outstanding invoice is referred back to the person who requested it, whether that is a Service Manager or one of the Management Accounting team, they should be aware of the need to take action as soon as possible, particularly for large value invoices. The Financial Accounting Assistant should be kept informed of progress.
- 5.4 If the Financial Accounting Assistant is having difficulty getting a response or resolving an issue, it is referred to the Financial Accountant, and if necessary, the Financial Accounting Manager or Head of Financial Accounting.
- 5.5 All reminder letters, records of telephone conversations, emails and notes of internal discussions are held in a current correspondence file, in case they are required in the future.

#### **6 – In the case of non-payment by NHS debtors**

- 6.1 It is not possible to make an Action in Law against another NHS body. Further, there is no arbitration body to mediate and/or decide the issue. However, there are quarterly agreements of NHS receivables/payables balances, which highlight disputes and other unpaid invoices.
- 6.2 If all discussions between Trust finance staff/service managers and the debtor fail, the matter is referred to the Director of Finance who will take it up with the Director of Finance of the other organisation.

- 6.3 If the debt is considered not to be collectable, it can be cancelled. Note that it is a cancellation not a write-off/bad debt because the NHS as a whole is treated as a single entity.

## **7 – In the case of non-payment by non-NHS debtors**

- 7.1 The Trust uses the services of a firm of solicitors for the purpose of pursuing unpaid debts. Based on information compiled by the Financial Accounting Assistant and recorded on the monthly Aged Debtors report, the Head of Financial Accounting assesses which debtors require referral to the solicitors.
- 7.2 The solicitors begin their own correspondence with the debtor. If no satisfactory response is received, the solicitor will refer back to the Trust for further instructions.
- 7.3 Initial options (at a cost) are status reports or site visits. If still unsuccessful, then a decision will be made as to whether to continue action through the Courts, after seeking advice from the solicitor.
- 7.4 Alternatively, it may be decided that the amount is to be treated as a bad debt (see paragraph 8).

## **8 – Treatment of bad debts**

- 8.1 A bad debt may be defined as a debt which is impossible to collect (e.g., where a debtor company has been liquidated with no funds remaining to pay creditors) or where Trust management has decided that it is no longer economical to pursue the debt (e.g., the amount of the debt is small, or the debtor cannot be traced). In the case of prescription invoices, due to their minimal value, they are automatically written off after 6 months, or sooner if it becomes clear that payment is unlikely.
- 8.2 Bad debts represent a loss to the Trust and must be accepted and approved by the senior officers as authorised in Finance Procedure J1: Losses & Special Payments, who are the Director of Finance and the Chief Executive.

## **9 – Debt recovery for salary overpayments to ex-employees.**

- 9.1 An invoice will be raised and sent to the ex-employee together with appropriate information identifying the basis of the overpayment.
- 9.2 It is expected that overpayments will be recovered in accordance with the length of time they occurred, in accordance with ACAS practice. For example, an overpayment made over a three-month period would be recovered over a three-month period. Recovery outside of these guidelines will be considered in extenuating circumstances and would be at the discretion of the Financial Accounting Manager or Head of Financial Accounting. A minimum monthly repayment value of at least £50 will be sought.
- 9.3 Where it is agreed between the Financial Accounting Manager or Head of Financial Accounting and the ex-employee, that repayment will occur it should be via cheque or automated bank transfer. The Financial Accounting Manager will confirm the arrangement in writing enclosing the Trust's bank details and request a signed agreement to the plan is returned. Both documents will be retained on file.
- 9.4 In the event that a repayment plan cannot be agreed, or the ex-employee reneges on a repayment plan, or where repayment during the term ceases, the Trust will refer the case to the Trust's debt collection contractor. It is the Trust's policy to pursue repayment

using all legal means available. A repayment break of one month will be considered if the ex-employee demonstrates financial hardship.

- 9.5 The Trust's debt collection contractor will not accept referrals below £300. Therefore, where the value of the overpayment is less than £300 and all means of recovering the debt through Trust contact has been exhausted, then the debt will be considered as a bad debt and put forward for write-off.

### References & associated documents

Oracle Accounts Receivable detailed user notes  
Aged debt reports  
Losses register

Reviewed By \_\_\_\_\_

Date \_\_\_\_\_

Authorised By \_\_\_\_\_

Date \_\_\_\_\_



# Shropshire Community Health NHS Trust

## Finance Procedures

**R3**                                      **Accounts Receivable – Credit Control**  
**Appendix B**                            **Standard Reminder Letter 2**

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### To NHS debtors –

Dear .....

I would like to draw your attention once again to the invoices listed below, which are still outstanding and still overdue for payment

If there is a reason for non-payment, will you please let me know, otherwise we shall be grateful to receive your payment by return.

If payment has crossed with this letter, please accept my apologies.

Yours faithfully

### To non- NHS debtors –

Dear .....

I refer to my previous letter requesting payment of this account.

According to our records the amount shown below remains outstanding. I would be grateful if you would remit payment by return. Failure to do so may result in legal proceedings being taken against you.

Should you have any queries regarding your account please do not hesitate in contacting me on the above number.

Yours faithfully

