

Policies, Procedures, Guidelines and Protocols

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<b>Title</b>	<b>Finance Procedure J1: Losses &amp; Special Payments</b>	
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Local Ref (optional)		
Main points the document covers	Types of losses & special payments and how they are to be treated	
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Author	David Court, Head of Financial Accounting	
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Required by NHS Resolution		
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No	Date	Amendment
1	August 2013	Minor amendments to terminology & remove references to PCTs
2	August 2016	Replace references to "Manual for Accounts" with "HM Treasury Managing Public Money" & amend job titles & category numbers in Appendix A
3	January 2017	Amend category names in Appendix A
4	January 2020	Changed NHS Protect to NHS Counter Fraud Authority and updated Appendix A - Delegated Limits & Authorisation Levels - to match Scheme of Delegation
5	January 2023	Changed titles in Appendix A and added payment details to Appendix B

# Shropshire Community Health NHS Trust

## Finance Procedures

### Section J      Losses & Compensations J1                Losses & Special Payments

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#### 1 – Introduction

- 1.1 Losses and Special Payments are items of cost that Parliament would not have contemplated when it agreed funding for the NHS. By their nature, they are items that ideally should not arise. Standing Financial Instructions define the framework within which the Trust deals with these issues.
- 1.2 In considering Losses and Special Payments, it is important to look beyond whether the proposed write-off or payment represents value for money. The need for corrective action must also be assessed to minimise the number and cost of any future cases.
- 1.3 HM Treasury's "Managing Public Money" Annexes 4.10 and 4.13 set out detailed instructions for dealing with these matters. This divides Losses and Special Payments into different categories and details the action to be taken on discovering a loss or receiving/considering a claim for compensation. In addition, DH requires that, for any case valued at £1,000 or more, a checklist must be completed.
- 1.4 Before a loss is written off or a payment made, authorisation is made within the Trust's Scheme of Delegation. Any case which is novel, contentious or repercussive must still be referred to the Department of Health. Appendix A lists each category and the internal delegated limit within the Trust above which authorisation must be by the Trust Board.

#### 2 – Losses and Special Payments register

- 2.1 It is the responsibility of the Senior Financial Accountant to maintain a Losses and Special Payments Register, ensuring that all amounts are appropriately authorised, and checklists completed where necessary. The register analyses the losses and special payments across each heading. Where the actual value cannot be determined, an estimate is used.
- 2.2 The Head of Financial Accounting ensures that significant losses and special payments are reported to the Audit Committee.
- 2.3 A copy of the Register may be asked for by the Department of Health.

### 3 – Losses

- 3.1 There are four main categories of loss: -
- a) Loss of cash (including charitable funds and patients' cash)
  - b) Fruitless payments (including abandoned capital schemes)
  - c) Bad debts and claims abandoned
  - d) Damage to or loss of Trust property or equipment.
- 3.2 The prevention of loss is a prime requirement of sound financial control, and control systems should be designed to achieve this. Losses will occur, but internal checks, regular supervision and internal audit must be used to ensure that losses are minimised.
- 3.3 When a loss occurs, the responsible manager (i.e., the Budget Manager or Resource Manager) will: -
- a) Attempt to recover it
  - b) Find out the cause and take appropriate corrective action e.g., correcting any weakness in controls or supervision
  - c) Notify the Senior Financial Accountant of the event, then prepare a written statement, outlining what happened and any action taken, and send it to them
  - d) If arson or theft is suspected, the responsible manager must notify the Local Security Management Specialist who will notify the police
  - e) If fraud is suspected, the Local Counter Fraud Specialist must be notified who will notify the NHS Counter Fraud Authority.
- 3.4 The Senior Financial Accountant shall: -
- a) Notify the Head of Financial Accounting if an insurance claim may be made
  - b) Ensure that the written statement referred to in 3.3(c) above is authorised in accordance with the Trust's Scheme of Delegation
  - c) Ensure that the checklist has been completed by the responsible manager if the loss is more than £1,000
  - d) Enter the details into the Losses and Special Payments register, together with a record of any insurance proceeds
  - e) Ensure that the loss is charged against the appropriate losses budget.

### 4 – Special Payments

- 4.1 Special Payments are those that fall outside the normal day to day business of the Trust. There are four main categories: -
- a) Compensation payments made under legal obligation
  - b) Extra-contractual payments made to contractors
  - c) Ex-gratia payments (including personal injury, loss of/damage to personal effects and payments on termination of employment)
  - d) Extra statutory and extra regulatory payments.
- Payments for loss of/damage to personal effects (as included at c, above) make up the majority of the Trust's special payments. They are dealt with separately in section 5.
- 4.2 Special Payments must only be authorised after a careful appraisal of the facts. Authorising managers must satisfy themselves that there is no feasible alternative to making the payment. They must also consider the soundness of control systems, the efficiency with which they have been operated, and take any necessary steps to correct any failings.

- 4.3 Authorised requests for Special Payments, together with any supporting documentation, giving reasons for the payment and any corrective action to be taken in the future, are sent to the Senior Financial Accountant.
- 4.4 The Senior Financial Accountant shall: -
- a) Ensure that the request is authorised in accordance with the Trust's Scheme of Delegation and that the amount of the approved payment is reasonable
  - b) Ensure that the checklist has been completed by the responsible manager if the loss is more than £1,000
  - c) Enter the details into the Losses and Special Payments Register, net of any insurance proceeds
  - d) Ensure that the loss is charged against the appropriate budget.

## **5 – Claims for loss of/damage to personal effects**

- 5.1 When the issue of a claim for loss of/damage to personal effects is raised, the responsible manager must consider whether the Trust is liable. The following points must be considered: -
- a) The loss or damage must not be due to the claimant's own negligence.
  - b) The Trust will generally not be liable for theft, and there should be signs and disclaimers to this effect for staff, patients and visitors. However, the Trust may be liable for loss of patients' personal effects where procedures relating to patients' property have not been followed. Refer to Finance Procedure I17 – Patients' Property (Cash and Valuables).
  - c) In the case of staff property, the loss or damage must have occurred during their working hours, and it must be reasonable that they were wearing or had in their possession the particular item.
  - d) The claim for loss or damage must not be something that would be covered by the claimant's own insurance e.g., car insurance.
- 5.2 If a payment is to be made, a deduction for wear and tear should be calculated.
- 5.3 The Budget Manager or Resource Manager completes the form "Claim for Compensation for Damage to or Loss of Personal Property" (copy at Appendix B), obtains the authorisation of the Budget Holder, and sends it to the Senior Financial Accountant for processing (as detailed in section 4.4).
- 5.4 An incident report form must also be completed, in accordance with the Incident Reporting Policy, and distributed accordingly.

**References & associated documents**

Standing Financial Instructions  
Scheme of Delegation  
HM Treasury’s “Managing Public money” annexes 4.10 and 4.13  
Incident Reporting Policy

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

Date \_\_\_\_\_

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

Date \_\_\_\_\_

# Shropshire Community Health NHS Trust

## Finance Procedures

### J1 Losses & Special Payments

#### Appendix A Delegated Limits & Authorisation Levels

**Any value above the delegated limits below must be approved by the Trust Board**

<b>Key</b>	CE CFO/CFO DoG	Chief Executive Chief Finance Officer Director of Governance	Dir DCFO BM	Director Deputy Chief Finance Officer Budget Manager
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Category	Delegated Limit	Authorisation
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### Losses

#### 1 – Losses of cash due to:

a)	theft, fraud etc.	£0-£50,000	CFO or DCFO & CE
b)	overpayment of salaries, wages, fees & allowances	£0-£50,000	CFO or DCFO & CE
c)	other causes, including overpayments other than those in 1b, physical losses of cash & cash equivalents (e.g., stamps) due to fire, accident or similar cause	£0-£50,000 £0-£50	CFO or DCFO & CE CFO or DCFO

**2 – Fruitless payments (including abandoned capital schemes)** £0-£250,000 CFO or DCFO & CE

#### 3 – Bad debts & claims abandoned relating to:

a)	private patients	£0-£50,000	CFO or DCFO & CE
b)	overseas visitors	£0- £50,000	CFO or DCFO & CE
c)	other cases	£0-£50,000	CFO or DCFO & CE

#### 4 – Damage to buildings, fittings, furniture & equipment, and loss of equipment & property in stores & in use due to:

a)	culpable causes (e.g., theft, fraud, arson or sabotage)	£0-£50,000	CFO or DCFO
b)	other causes	£0-£50,000	CFO or DCFO

**5 – Administrative write-offs** £0-£50,000 CFO or DCFO

**6 – Constructive losses** £0-£50,000 CFO or DCFO

**7 – Bookkeeping losses** £0-£50,000 CFO or DCFO

### Special Payments

**8 – Compensation payments made under legal obligation** £0-£10,000 CFO or DCFO or CE

**9 – Extra Contractual payments to contractors** £0-£10,000 CFO or DCFO or CE

## J1 Appendix A (Cont'd)

Category	Delegated Limit	Authorisation
<b>10 – Ex-gratia payments:</b>		
a) to patients & staff for loss of personal effects	£0- £50	BM
	£0-£5,000	CFO or DCFO
	£0-£10,000	CE
b) for personal injury claims where legal advice has been obtained & relevant guidance applied	£0-£10,000	DoG
	£0-£100,000	CFO or DCFO & CE
c) other clinical negligence & personal injury claims	Nil	
d) severance payments on termination of employment	Nil	
e) other employment payments	£0-£10,000	CE
f) maladministration with no financial loss	Nil	
g) patient referrals outside the UK & EEA guidelines	Nil	
h) other payments	£0-£10,000	CE
<b>11 – Extra statutory &amp; extra regulatory payments</b>	Nil	
<b>12 – Special severance payments</b>	Nil	

**Shropshire Community Health NHS Trust**  
**Claim for Compensation for Damage to or Loss of Personal Property**

Status: Patient / Employee / Other (Please delete as appropriate)

Title (Mr, Mrs, Miss, etc.): \_\_\_\_\_ Full name: \_\_\_\_\_

Location (e.g., Place of work and dept, hospital and ward): \_\_\_\_\_

Address for payment: \_\_\_\_\_

Payment Details Account Name: \_\_\_\_\_ Bank Account No: \_\_\_\_\_ Sort Code: \_\_\_\_\_

Date of incident: \_\_\_\_\_ Location: \_\_\_\_\_

Description of property (including date purchased and cost if known): \_\_\_\_\_

How the loss or damage occurred: \_\_\_\_\_

Any action taken to ensure the loss or damage is not repeated: \_\_\_\_\_

Had the claimant complied with all relevant policies and procedures? \_\_\_\_\_  
Was the claimant acting in good faith and did not contribute to the loss or damage? \_\_\_\_\_

Name and signature of any witness: \_\_\_\_\_

Witness' comments: \_\_\_\_\_

I certify that the claimant suffered a loss or damage which is the responsibility of the Trust and, to the best of my knowledge, the details on the form are correct.

Payment of £ \_\_\_\_\_ is approved to be charged to account code: \_\_\_\_\_ / 746000

Authorised: Budget/Resource Manager: \_\_\_\_\_ Date: \_\_\_\_\_

Director: \_\_\_\_\_ Date: \_\_\_\_\_

After authorisation, this form should be forwarded to the Senior Financial Accountant at William Farr House for entry into the Losses Register, and to arrange payment.

Losses Register Ref No: \_\_\_\_\_