

Livewell Southwest

Bad Debt Procedure

Version No 1:6

Notice to staff using a paper copy of this guidance.

The policies and procedures page of LSW intranet holds the most recent version of this document and staff must ensure that they are using the most recent guidance.

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Reader Information

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Document review history

Version No.	Type of change	Date	Originator of change	Description of change
0:1	New document	March 2009	M Dove	New document
1	Updated	March 2009	P. Hurrell	Signed off
1:1	Reviewed	October 2009	Reporting Accountant	Review and extended for 2 years.
1:2	Reviewed	Sept 2011	Author	Reviewed, no changes made.
1:3	Extended	Jan 2014	Author	Extended no changes
1:4	Extended	August 2014	Author	Extended no changes
1:5	Extended	March 2015	Author	Extended no changes
1:6	Re written	November 2015	Financial Accountant	The policy has been streamlined and updated to reflect new procedures in place for management of debt.

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Bad Debt Procedure

1. Raising of Invoices

- 1.1 Invoices should be raised in a timely manner and must have all the information required to ensure prompt payment. Invoices should be as a result of an agreed service or contract with the debtor. Contact names and numbers in the debtor organisation must be provided. If the raising of an invoice is delayed, an email should be obtained from the debtor confirming that payment will be made.

2. SBS Debt Management Policy

- 2.1 Livewell South west (LSW) uses NHS Shared Business Services (SBS) for its debt recovery management. The SBS Debt Management Policy is published on their website and gives details of chasing schedules on differing types of invoices. [http://nww.sbs.nhs.uk/Order%20to%20Cash%20\(O2C\)/Debt%20Management/debt_management_policy.pdf](http://nww.sbs.nhs.uk/Order%20to%20Cash%20(O2C)/Debt%20Management/debt_management_policy.pdf)
- 2.2 A monthly Debt Management call must take place with the named SBS debt management contact and the Financial Accountant.

3. Escalation Process

- 3.1 If SBS Debt Management are unable to collect a debt the first level of escalation should be to the person who raised the invoice. They should contact the debtor and resolve any problems that are preventing payment. If the invoice is incorrect a credit note should be raised which will reduce the income to the cost centre. Once any issues are resolved SBS Debt Management will resume chasing any outstanding debt.

4. External Debt Recovery

- 4.1 If the charge is valid and NHS SBS have been unable to recover the debt LSW can refer to an external debt management agency. NHS SBS uses a company called Legal Recoveries and Collection for its external debt recovery. The decision to refer a debtor to external debt recovery will be taken by the Financial Accountant in consultation with the debt management contact at SBS. The cost of the external debt recovery is paid by LSW and it is not economical to refer debts of less than £250.
- 4.2 LSW would not expect to refer any NHS organisation to external debt recovery. NHS debts must, instead, be escalated to the Deputy Director of Finance.

5. Bad Debts

- 5.1 LSW will actively pursue all outstanding debts as we are funded by public money. LSW does not make bad debt provisions.
- 5.2 If the debt is valid but payment cannot be obtained, after all debt recovery options have been exhausted, the outstanding amount should be treated as a bad debt and written off to the bad debts code on the balance sheet which is subjective code 1460. This will reduce the income on the cost centre that was used to raise the original invoice.

6. Authorisation Levels

- 6.1 All bad debt write offs must be authorised by an appropriate person within the LSW. The levels are:

Non NHS Debts less than £5,000	Financial Accountant
Non NHS Debt over £5,000	Deputy Director of Finance
All NHS Debts	Deputy Director of Finance
Any debt over £50,000	Finance Director

All policies are required to be electronically signed by the Lead Director. Proof of the electronic signature is stored in the policies database.

The Lead Director approves this document and any attached appendices. For operational policies this will be the Locality Manager.

The Executive signature is subject to the understanding that the policy owner has followed the organisation process for policy Ratification.

Signed: Director of Finance

Date: 20th January 2016