

Finance	Debt Management Strategy
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Prepared By:	Anthea Thompson Richard Henderson
Consultation Process:	Finance team Chief Finance Officer
Formally Approved:	
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Version Control

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1.0	March 2023	Anthea Thompson	
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Approval

Role	Name	Date
Approver v1.0	Richard Henderson	March 2023
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Debt Management Strategy

1. Introduction

As set out in the ICB Standing Financial Instructions (SFIs) section 5.3, the Chief Finance Officer is responsible for the ICB debt management strategy. The SFIs are clear that the debt management strategy must be reviewed and endorsed by the ICB Board.

The debt management strategy of NHS North East and North Cumbria ICB ("the ICB") covers the end-to-end debt management process from debt creation and the raising of sales orders to collection or write-off in accordance with the losses and special payment procedures.

The Chief Finance Officer is responsible for ensuring order to cash practices are designed and operated to support efficient, accurate and timely invoicing and receipting of cash. The processes and procedures should be standardised and harmonised across the NHS System by working cooperatively with the Shared Services provider and ensuring the debt management strategy reflects the debt management objectives of the ICB and the prevailing risks.

The ICB's debt management strategy is to collect all debts unless they are irrecoverable or uneconomic to recover.

The debt management strategy is supported by underpinning financial procedure notes which detail the process and actions to be taken in further detail.

2. Purpose

- 2.1** The debt management strategy and supporting procedure notes 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 Chief Finance Officer 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.

This document outlines the debt management procedure in place to ensure the ICB collects cash on a timely basis and that processes are in place for regular debt reviews to avoid debt write off. It also sets out the process for providing for bad debts where it is envisaged a debt may become irrecoverable and the writing off of bad debts within the ICB.

3. **Debt management strategy**

3.1 **Standard approach to credit control**

NHS Shared Business Services (SBS) are responsible for debt management on behalf of the ICB and their debt management policy on behalf of clients is detailed on their [website](#). NHS England (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.

SBS are responsible for collecting all debts up to 60 days overdue, at which point the responsibility will fall to the ICB.

Standard payment terms for the ICB are 30 days from date of invoice.

SBS collection efforts are to take effect from day 1 overdue, with a referral to the ICB when it is 60 days overdue.

For non-NHS commercial and non-commercial debt, the credit control stages are as follows:-

Statement – all debtors are sent a full statement of outstanding invoices and amounts each month. The statement will include all transactions up to the month end and will be issued by the 14th of the following month.

30 days from date of invoice – a first reminder letter will be sent to all debtors by SBS when the invoice is 1 day overdue.

40 days from date of invoice – SBS will send a second reminder letter.

60 days from date of invoice – debtors will receive a final demand letter from SBS at which point the ICB will take on the responsibility of debt recovery.

3.2 **Debt reviews**

Monthly debt reviews will take place as follows:

SBS client calls

The Senior Finance Manager within the Financial Accounting team supporting the ICB is the responsible officer for management of debt and the primary contact between the ICB and SBS, receiving monthly client debt calls for updates on recovery and then reporting through to the Director of Finance (Corporate) within the ICB outlining any risks to recovery, actions required and recommendations for write off.

Financial accounting team

A monthly meeting is to take place with senior finance managers within the ICB financial accounting team. The purpose of the meeting is to review

debt recovery, ensure appropriate processes are being undertaken to best recover outstanding debt and establish if there are any debts that may fall into the category of irrecoverable.

Finance business partner reviews

Regular meetings take place between the Finance Business Partners and Financial Accounting Senior Finance Manager to review the aged debt profile within their business area of responsibility with a view of trying to resolve debts > 60 days old.

Local authority

The ICB has an on-going relationship with all local authorities across the North East and North Cumbria and any related issues must be escalated through the relevant finance representatives.

Regular meetings take place between finance representatives of the ICB and relevant local authorities. All outstanding debts between the organisations are to be reviewed and where possible successful resolution reached.

3.3 Irrecoverable debt – external debt collection agency

Once a debt has been highlighted as irrecoverable internally after exploring all recovery avenues set out above, the Chief Finance Officer or Director of Finance (Corporate) can choose to utilise the ICB external debt recovery agency 'CCI Legal Services Ltd'. This service is seen as a last resort measure and will only be used where the debt is considered economical to pursue.

3.4 Establishing a bad debt provision

ICB Income

The ICB supplies services to both NHS and non-NHS organisations. Debtor invoices for either services provided or in relation to applicable recharges are raised through the Integrated Single Financial Environment (ISFE) accounts receivable and are interfaced into the general ledger.

NHS debts

NHS invoices are raised and forwarded to the appropriate NHS body. As part of the 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 organisations and an inability to reach and agree a mutual solution, the matter is referred to NHSE for mediation. Thus, transactions between NHS bodies cannot be treated as bad debts and therefore fall outside the scope of this policy. When it is clear and agreed that a debt is not going to be settled by the receiving 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 or Director of Finance (Corporate).

Non-NHS debts

The Chief Finance Officer is responsible to the ICB board for all aspects of debt management of the ICB. Any non-NHS debt identified as irrecoverable, resulting in the generation of a bad debt provision, will require authorisation in line with the financial delegations agreed by ICB Board.

A bad debt is defined as an outstanding sum of money owed to the ICB by a non-NHS body that is impossible or uneconomic to collect. For example, the debtor company is in liquidation, the debtors are untraceable, or the sum owed is very small.

All debts written off will be written back to the originating budget code unless agreed by the Chief Finance Officer or nominated Director of Finance.

3.5 Debt write off

The Director of Finance (Corporate) will review the schedule of all debts deemed to be irrecoverable and will ensure that the appropriate steps have been taken to document the recovery and rationale for recommending any debts for write off.

Any debts recommended for write-off must be approved in line with the ICBs Financial Delegations and reported to the Audit Committee. The ICB will keep a record of all debts written off in the Losses and Special Payments Register. Once written off, the ICB may reinstate a debt and attempt to collect them if new information regarding the debtor becomes available.

4. Monitoring and evaluation

- 4.1** The aged debt will be reviewed by the Director of Finance (Corporate) and relevant senior finance managers as part of the month end process. This will cover actions being undertaken by ICB finance business partners and strategic reviews by senior officials.

5. Review

- 5.1** The debt management strategy will be reviewed on an annual basis to ensure it is still relevant and to provide assurance to the ICB board that debt is being managed effectively.